91-1808

Supreme Court, U.S.
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No._____

IN THE

Supreme Court Of The United States

OCTOBER TERM, 1991

GENCOR INDUSTRIES, INC.,

Petitioner,

v.

STANDARD HAVENS PRODUCTS, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED

1. Does the standard employed by the Court of Appeals for the Federal Circuit to review general jury verdicts (or a special interrogatory combining multiple issues) conflict with the standard set forth by this court?

2. When the prevailing party has presented multiple theories to the jury, should a general verdict (or a special interrogatory combining multiple issues) be sustained on appeal when the court of appeals rules that one of the theories was legally erroneous?

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STATEMENT PURSUANT TO RULE 29.1

Gencor Industries, Inc. has no subsidiaries or affiliates other than wholly owned subsidiaries.

IN THE

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OCTOBER TERM, 1991

NO. ____

GENCOR INDUSTRIES, INC.,
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v.

STANDARD HAVENS PRODUCTS, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner Gencor Industries, Inc. ("Gencor") respectfully prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit in the captioned case.

OPINIONS BELOW

The opinion of the court of appeals (A1-28) is reported at 953 F.2d 1360 (Fed. Cir. 1991). An earlier related opinion of the court of appeals (A34-43) granting a stay of the district court injunction pending the outcome of the appeal is reported at 897 F.2d 511 (Fed. Cir. 1990). The opinion of the district court following trial (A48-68) is unpublished.

JURISDICTION

The judgment of the court of appeals (A71) issued as a mandate on March 20, 1992. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

This petition does not involve interpretation of any constitutional provision, treaty, statute, ordinance, or regulation.

STATEMENT OF THE CASE

This petition raises the significant issue of the proper standard for appellate review of general jury verdicts (or a special interrogatory combining multiple issues) when the prevailing party has presented multiple theories of liability to the jury. The long-established rule of this Court requires a new trial if any erroneous theory has been submitted to the jury. The Court of Appeals for the Federal Circuit ignores this Court's precedent and disregards erroneous theories submitted to the jury if substantial evidence supports any other theory. The result is an erroneous and unfair approach to the review of general jury verdicts in all patent cases, over which the Federal Circuit has exclusive jurisdiction.

Moreover, the various regional circuits conflict in their approach to this problem — some follow the rule of this Court, some parallel the Federal Circuit, and some have created additional rules and exceptions. Thus, this petition presents a fundamental and far-reaching question whose resolution is essential to the effective presentation of complex issues to juries and to meaningful and fair review of jury verdicts.

Background

This case included a patent infringement count tried before a jury. The asserted patent ("the Hawkins patent") is owned by the respondent, Standard Havens Products, Inc. ("Standard Havens"). In defense, Gencor challenged the validity of the Hawkins patent in view of an earlier, "prior art", patent ("the Hepburn patent").[1]

The Hawkins patent claims a method for making asphalt. Asphalt is made by mixing crushed rock ("aggregate") with liquid asphalt. To achieve proper binding, the aggregate must be heated and dried before the liquid asphalt is added.

The Hawkins patent and the prior art Hepburn patent both mix aggregate and liquid asphalt in a large horizontal drum that is open at both ends. Aggregate is fed into the upstream end of the drum and flows through the drum. As aggregate passes through the drum, it is first heated and dried in the "heating zone" and then mixed with liquid asphalt in the "mixing zone." Finally, mixed asphalt is discharged from the downstream end of the drum.

In both the Hawkins patent and the prior art Hepburn patent, a burner is placed in the middle of the drum to heat the aggregate. The burner, which faces the incoming aggregate, generates a hot gas stream that flows through the heating zone toward the upstream end of the drum. This hot gas stream heats and dries the aggregate as it moves toward the burner. After the aggregate passes the burner and enters into the mixing zone, the liquid asphalt is added. In this way, by adding the liquid asphalt

---

[1] Following the trial, Gencor made inquiries to the Patent and Trademark Office ("PTO") regarding certain irregularities in the PTO proceedings involving the Hawkins patent. Following those inquiries, the PTO *sua sponte* ordered reexamination of the patent (A72-74), and later rejected all the claims of the Hawkins patent in view of, *inter alia*, the Hepburn patent. In other words, the PTO has now concluded that the Hawkins patent should never have issued in the first place. That decision is now on appeal.

downstream of the burner, the mixing zone is separated from the heating zone.

The claims of the Hawkins patent (which define the invention)[2] specify that the aggregate and liquid asphalt be mixed in a zone "isolated from [the] hot gas stream" (A4-5). A pivotal issue in this case was whether the prior art Hepburn patent satisfied this limitation (i.e., requirement) of the claims of the Hawkins patent.[3]

In the example disclosed in the Hawkins patent, air from a fan is piped to the burner so that the air flow bypasses the mixing zone. In contrast, the prior art Hepburn patent discloses a fan at the downstream end of the drum that blows exterior air to the burner through the mixing zone. Thus, the anticipation issue turned on whether the *air flow* passing through the Hepburn mixing zone precluded the Hepburn patent from satisfying the requirement of the Hawkins patent claims that the aggregate and liquid asphalt be mixed in a zone "isolated from [the] *hot gas* stream."

The Trial

At trial, Standard Havens relied upon two theories to argue that the mixing zone in Hepburn is not "isolated from [the] hot gas stream". First, it urged that the Hawkins patent claims require that no air flow pass through the mixing zone to the burner, and, therefore, that the mere flow of air through the Hepburn mixing zone precludes the Hepburn patent from satis-

---

[2] *General Electric Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938) ("Congress requires of the applicant 'a distinct and specific statement of what he claims to be new, and to be his invention.' ... The claims 'measure the invention.'").

[3] Gencor urged that the Hepburn patent satisfied each limitation of the claims of the Hawkins patent, and, therefore, "anticipated" the Hawkins patent. When a patent is anticipated by an item of prior art, the patent is invalid for failure to satisfy 35 U.S.C. § 102. *Kalman v. Kimberly-Clark Corp.* 713 F.2d 760, 771 (Fed. Cir. 1983), *cert. denied*, 465 U.S. 1026 (1984).

fying the "isolation" requirement. Alternatively, Standard Havens urged that, even if the Hawkins patent is not so limited, the mixing zone in Hepburn is not "isolated" because the Hepburn device would blow liquid asphalt from the mixing zone into the hot gas stream.

Before the jury, Standard Havens relied principally upon the first theory, focusing simply upon the air flow passing through the mixing zone in the Hepburn patent. Standard Havens' counsel distinguished the Hepburn patent on the following ground:

> There is no isolated drum where the ingredients can be mixed out of the airstream. (A75)

The inventor of the Hawkins patent described the concept of "an isolated mixing zone" likewise:

> Q. Now you have used the word isolated in connection with describing this mixing zone throughout your testimony. Would you please explain to the jury what you mean when you say the word isolated mixing zone?
>
> A. I mean that you do not have either primary air or secondary air supplied to the plant passing through that zone and that it is not exposed in front of the burner flame. (A77)

Standard Havens' patent law expert also distinguished the Hepburn device on similar terms:

> So, because the secondary air which is supplied to the burner blows through the mixing chamber where the asphalt and the aggregate are being mixed, this chamber, the mixing chamber, is not isolated from the hot gas stream shown in red. (A79)

Although some of Standard Havens' witnesses testified that the device disclosed in the Hepburn patent would, in theory,

blow liquid asphalt back into the heating zone, Standard Havens' principal distinctions over the Hepburn patent depended solely upon air flow passing through the mixing zone and were entirely independent of material being blown back into the heating zone. For example, Standard Havens' counsel argued:

> As a result of having this fan here blowing air entirely up through the mixing zone, the product is cooled. That's exactly what Hepburn wanted it to do. Mike Hawkins, however, wanted to create a high temperature product. (A75)

Standard Havens' counsel also went on to state:

> Also, with respect to Hepburn, there would be the problem with the fan blowing air up through this mixing zone and oxidizing the product. That's a bad effect on hot mix, oxidation. If the oxygen combines with the petroleum products then it's harmful to that product that is discharged. (A75)

Similarly, in explaining the advantages of his invention, Mr. Hawkins explained:

> In this system, by putting the materials *in an isolated zone out of the airstream* and away from the flame, we don't get that same degree of oxidation, so we get a better quality material out of the system as well. (A76, emphasis added)

Indeed, the only Standard Havens witness who specifically compared the claims of the patent to the device disclosed in the Hepburn patent never mentioned the possibility that the Hepburn device might blow asphalt into the heating zone. (A78-80)

The special interrogatories presented to the jury did not separate the theories urged by Standard Havens to distinguish the Hepburn patent. The jury was presented with an interrogatory simply asking whether Gencor had proved that the

claims of the Hawkins patent were anticipated by the prior art and, therefore, invalid.[4] The jury responded in the negative.

Gencor moved for JNOV on the ground, *inter alia*, that the prior art Hepburn patent anticipates the Hawkins patent. The district court judge denied the motion, stating:

> [U]nlike the Hawkins process the *airstream* supplying the burner [in the Hepburn device] *flows unrestricted* through the missing [sic "mixing"] zone. The plaintiff's expert witnesses testified to several means by which the Hepburn patents could be distinguished from the Hawkins patent. Thus, the Court cannot now conclude that a reasonable jury must have necessarily found that the defendant proved by clear and convincing evidence that the Hepburn patents anticipate the Hawkins patent. (A52-53, emphasis added)

Thus, in denying the JNOV motion, the district court relied solely upon Standard Havens' principal argument and made no mention of liquid asphalt being blown into the heating zone.

The Court Of Appeals' Decision

The Court of Appeals for the Federal Circuit affirmed the district court's denial of Gencor's motion for JNOV or a new trial and, thereby, upheld the jury verdict. More importantly for the purposes of this petition, however, the Federal Circuit explicitly rejected the interpretation of the Hawkins patent claims urged by Standard Havens, stating:

> But, says Gencor, there is no limitation stated in the patent claims of "isolating the air flow from the mixing zone." We agree with Gencor on that.

---

[4] The text of the interrogatory read:

1. Do you find that the Defendant has proved by clear and convincing evidence that any claim of the Hawkins patent is invalid because the claim is anticipated by a single item of prior art? (A81)

> Though a key aspect of Hawkins' invention may be to direct the air flow through the secondary and primary tubes instead of through the mixing zone, *the patent does not contain that limitation.* (A12-13, emphasis added)

In so doing, the Federal Circuit repudiated the principal theory urged to the jury by Standard Havens to distinguish the Hepburn patent.

Nonetheless, the Federal Circuit affirmed the verdict on the basis of Standard Havens' alternative theory, stating:

> From the evidence before it, the jury could have reasonably found (*i.e.*, there is "substantial evidence" supporting the fact) that because of the air blown by the fan in Hepburn '649, some of the liquid asphalt sprayed in the mixing chamber would be blown back into the heating chamber. (A13)

After describing the "substantial evidence," the Federal Circuit concluded:

> Given the jury's *critical presumed finding* that liquid asphalt is carried into the hot gas stream of Hepburn, which is supported by substantial evidence, Hepburn '649 simply does not teach "isolating" as required by the claims. (A15, emphasis added)

Thus, the Federal Circuit recognized that its "presumed finding" (which was not presented to the jury in the interrogatories) was "critical," but ignored the possibility that the jury made its decision on the basis of the claim interpretation urged to the jury and specifically rejected by the court.

REASONS FOR GRANTING THE PETITION

More than a century ago, this Court explained that, because we cannot read the minds of jurors, a general verdict that may have been based on an improper theory of liability must be

reversed. *Maryland v. Baldwin*, 112 U.S. 490, 493 (1884). On several subsequent occasions, this Court has reiterated this rule in unequivocal terms. For example, in *Sunkist Growers Inc. v. Winckler & Smith Citrus Prods. Co.*, 370 U.S. 19, 29-30 (1962), this Court rejected one theory of liability and remanded without ever evaluating whether substantial evidence supported another theory, stating:

> Since we hold erroneous one theory of liability upon which the general verdict may have rested ... it is unnecessary for us to explore the legality of the other theories.

See also Wilmington Star Mining Co. v. Fulton, 205 U.S. 60, 78-79 (1907); *United New York and New Jersey Sandy Hook Pilots Assoc. v. Halecki*, 358 U.S. 613, 619 (1959). The Eighth Circuit, where the district court which tried this case is located, has followed suit. *See, e.g., Dudley v. Dittmer*, 795 F.2d 669, 673 (8th Cir. 1986) ("when one of two theories has erroneously been submitted to the jury, a general verdict cannot stand").

Thus, for example, in *E. I. du Pont de Nemours v. Berkley & Co., Inc.*, 620 F.2d 1247, 1257 (8th Cir. 1980), the court explained:

> If one or more substantial grounds for the verdict presented no jury question and should have been decided as a matter of law in Dupont's favor, reversal and a new trial are required, *notwithstanding the presence of other grounds that could have supported the verdict.* (Emphasis added)

There, the jury answered an interrogatory regarding patent validity (finding the patent invalid). Six possible bases existed for the verdict, one of which was that the patent was invalid because it lacked utility. The court of appeals found that the utility issue should have been decided as a matter of law in du Pont's favor. Submission of this issue to the jury, therefore,

became prejudicial error that required a retrial of the other possible bases for the invalidity verdict.

Similarly here, the jury verdict could have been based on an erroneous theory — interpretation of the Hawkins claims to require isolating the air flow from the mixing zone — which the Federal Circuit has now decided in Gencor's favor as a matter of law.[5] The cases discussed above make clear that, simply because there is an alternative theory that might be supported by substantial evidence, the appellate court cannot presume that the jury based its decision such upon such evidence.

Thus, the Federal Circuit erred when it looked to evidence suggesting that the Hepburn device would blow asphalt into the heating zone and reasoned:

> We conclude from such testimony that substantial evidence supports the presumed finding of the jury that liquid asphalt in Hepburn would be carried into the hot gas stream of the heating chamber causing blue smoke. (A15)

Because there was an equally plausible basis for the jury's verdict (that the Hepburn patent did not anticipate because the Hawkins claims required isolating the air flow from the mixing zone), this presumption cannot be made.

From the verdict form, which presented only a single interrogatory directed to Gencor's anticipation defense, we cannot tell which theory the jury adopted in deciding that the Hepburn patent did not anticipate the Hawkins patent. Such an interrogatory presents the same dilemma as a general verdict:

> An interrogatory containing multiple issues is really no better than a general verdict. Such an interrogatory presents the same dilemma as a general verdict submitted to the jury on two theories of law, one of which is incorrect.

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[5] Interpreting the scope of claims is a question of law. *Intervet American, Inc. v. Kee-Vet Lab., Inc.*, 887 F.2d 1050, 1053 (Fed. Cir. 1989).

Dougherty v. Continental Oil Co., 579 F.2d 954, 960 n.2 (5th Cir. 1978), *vacated by joint stipulation*, 591 F.2d 1206 (5th Cir. 1979) (citation omitted). Thus, because the interrogatory permitted the jury to answer on the basis of a legally erroneous theory, the Federal Circuit was obligated to vacate and remand for a new trial.

The Federal Circuit has repeatedly adopted its erroneous approach to the review of general jury verdicts. Soon after its creation, the Federal Circuit announced:

> A verdict loser appealing denial of its motion for JNOV must, if it would prevail on appeal, show the absence from the record of substantial evidence to support each potential basis for the verdict.

Weinar v. Rollform Inc., 744 F.2d 797, 810 (Fed. Cir. 1984), *cert. denied*, 470 U.S. 1084 (1985). More recently, the Federal Circuit reaffirmed this approach to the review of jury verdicts:

> An appellate tribunal is abjured to determine whether a jury verdict can be sustained, on any reasonable theory.

Richardson v. Suzuki Motor Co., Ltd., 868 F.2d 1226, 1246 (Fed. Cir.), *cert. denied* 493 U.S. 853 (1989).[6] It was this same approach that led to the Federal Circuit's affirmance in this case.

The Federal Circuit, however, is not alone in ignoring this Court's precedent. The Seventh Circuit, like the Federal Circuit, has adopted a rule that the appellant must show that none of the appellee's theories will support the general verdict. *See, e.g.*, *McGrath v. Zenith Radio Corp.*, 651 F.2d 458, 464 (7th Cir.), *cert. denied* 454 U.S. 835 (1981). The Ninth Circuit permits the

[6] As authority for this proposition, the Federal Circuit cited *Jaffke v. Dunham*, 352 U.S. 280, 281 (1957), a bankruptcy case decided by a judge, not a jury, who had made written findings. Such a case, where the appellate court has a road map of the decision-maker's thinking, raises neither the inequities nor potential for abuse posed by multiple theories urged to support a general jury verdict.

use of "discretion" when deciding whether to remand after an erroneous theory has been submitted to the jury, and has identified four factors relevant this determination. *See Traver v. Meshriy*, 627 F.2d 934, 938-39 (9th Cir. 1980). In a thoughtful dissent in *Kern v. Levolor Lorentzen, Inc.*, 899 F.2d 772, 789-792 (9th Cir. 1990), Judge Kozinski has recently criticized the Ninth Circuit's departure from this Court's rule.

The Second and Eleventh Circuits, on the other hand, follow the rule of this Court. *See, e.g., Morrissey v. National Maritime Union of America*, 544 F.2d 19, 26-27 (2d Cir. 1976); *Royal Typewriter Co. v. Xerographic Supplies Corp.*, 719 F.2d 1092, 1098-99 (11th Cir. 1983). The First, Third, Fifth, Eighth, and Tenth Circuits follow this Court's rule, but discuss a harmless error exception. *See, e.g., Brochu v. Ortho Pharmaceutical Corp.*, 642 F.2d 652, 662 (1st Cir. 1981); *Simko v. C & C Marine Maintenance Co.*, 594 F.2d 960, 967 (3rd Cir.), *cert. denied* 444 U.S. 833 (1979); *Ratner v. Sioux Natural Gas Corp.*, 770 F.2d 512, 518-19 (5th Cir. 1985); *E.I. du Pont de Nemours & Co. v. Berkley & Co., Inc.*, 620 F.2d 1247, 1258 n.8 (8th Cir. 1980); *Asbill v. Housing Authority of Choctaw Nation*, 726 F.2d 1499, 1504 (10th Cir. 1984).

In short, the regional circuits are in obvious and irreconcilable conflict as to how the questions presented in this petition should be answered. Guidance from this Court is urgently needed.

Guidance from this Court is especially needed for appellate review of general jury verdicts in patent cases. Patent cases are increasingly being tried before juries. (A85-86) In addition, patent cases are complex, and parties typically present multiple theories to the jury. Moreover, district courts frequently make inadequate use of special interrogatories in patent cases. *See, e.g., American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1361 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984).

Unless this Court corrects the Federal Circuit's approach, such cases will receive improper and inadequate review on appeal.

The Federal Circuit approach of evaluating the record for substantial evidence to sustain any of the prevailing parties' theories is manifestly unfair. Under such an approach, a party can argue a legally erroneous theory to persuade the jury, and argue another theory to withstand appeal. A jury may then decide the case on the basis of the erroneous theory, and yet the court of appeals would uphold the verdict. The standard of review endorsed by the Federal Circuit, which ignores the realities of the decision-making process, encourages such mischief-making and, as a consequence, denies the losing party a fair trial.

In this case, Standard Havens tried to stack the deck in its favor by urging that the claims of the Hawkins patent required isolating the air flow from the mixing zone. That was a deceptively simple argument for the jury. There was no denying that the Hepburn device did not isolate the air flow from the mixing zone. Moreover, this legally erroneous argument enabled Standard Havens to urge a number of distinctions over Hepburn patent that otherwise were not available to it — for example, that the Hepburn device made a "cool" product whereas the Hawkins patent made "hot" asphalt, and that the Hepburn device "oxidized" the asphalt whereas the Hawkins patent did not. Wielding this erroneous theory to procure a verdict in its favor, Standard Havens possessed an overwhelming advantage before the jury. It was grossly unfair for the Federal Circuit to discount that advantage by embracing an alternative theory and making "a critical presumed finding" that ignores what really happened at trial.

Gencor has a right to a trial where the claims of the Hawkins patent are properly construed and the parties are playing on an even field. Fairness and this Court's precedent demand that Gencor be granted a new trial.

CONCLUSION

For the reasons stated, a writ of certiorari should issue to review the judgment of the United States Court of Appeals for the Federal Circuit.

Respectfully submitted,

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APPENDIX

90-1048

United States Court of Appeals

for the Federal Circuit

STANDARD HAVENS PRODUCTS, INC.,
Plaintiff-Appellee,

v.

GENCOR INDUSTRIES, INC.,
Defendant-Appellant.

DECIDED:
December 31, 1991

Before ARCHER and MICHEL, *Circuit Judges*, and SENTER, *Chief Judge*.[1] ARCHER, Circuit Judge.

Gencor Industries, Inc. (Gencor) appeals from a judgment of the United States District Court for the Western District of Missouri, No. 88-1209-CV-W-3, August 8, 1989, holding, *inter alia*, that: (1) U.S. Patent No. 4,787,938 ('938 patent) is not invalid and was infringed by Gencor; (2)Standard Havens Products, Inc. (Standard Havens) is entitled to damages for patent infringement of $5,931,000; and (3) Standard Havens is entitled to damages of $2,284,000 on its breach of contract claim. We affirm-in-part, vacate-in-part, and remand.

[1] Honorable L.T. Senter, Jr., Chief Judge of the United States District Court for the Northern District of Mississippi, sitting by designation.

I.
BACKGROUND

A. The Technology

The '938 patent, issued to Michael R. Hawkins on November 29, 1988 and assigned to Standard Havens, is directed to a method of producing asphalt compositions.

Asphalt compositions were often produced in a large horizontal rotating drum. Water-laden aggregate (*e.g.*, crushed rock) was introduced at one end of the drum, was heated and dried by a stream of hot gases produced by a burner flame. The dried aggregate was then combined with liquid asphalt, mineral binder or fines (*i.e.*, crushed materials to impart thickness or body), and in some instances recycled asphaltic material removed from road surfaces, to produce an asphalt composition.

In one method, known as a co-current or parallel flow system, the hot gases produced by a burner flame flowed in the same direction as the aggregate and other ingredients to be mixed to the opposite end of the drum. In another method, styled counter-flow or countercurrent, the aggregate and other ingredients to be mixed flowed in a direction opposite that of the hot gas stream.

In those systems, the asphalt industry faced problems with pollution and product degradation. Exposing the liquid asphalt and recycled asphaltic material to excessive temperatures within the drum or in close proximity to the burner flame caused serious product degradation and produced hazardous pollutants known as "blue smoke."

B. The '938 Patent

Hawkins, in his invention as disclosed in the '938 patent, attempted to solve the product degradation and pollution problems by isolating the liquid asphalt (and recycled asphaltic material, when used) from the radiant heat flux of the burner

flame and from the hot gases produced therefrom. He did so by creating within the drum a zone for mixing the aggregate and liquid asphalt (and any other materials to be mixed) and keeping that zone away from the flame and its hot gases. An exterior view (Figure 1) and an interior view (Figure 3) of the Hawkins' drum mixer, as described in the patent specification, follow:

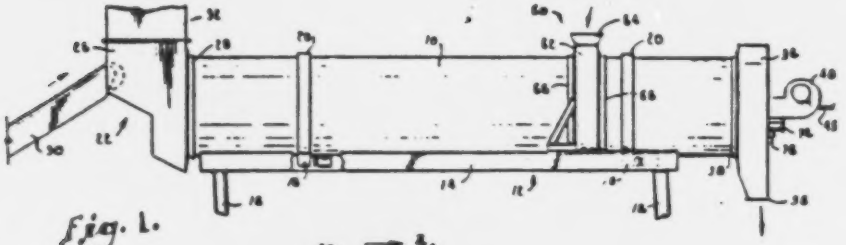

Fig. 1.

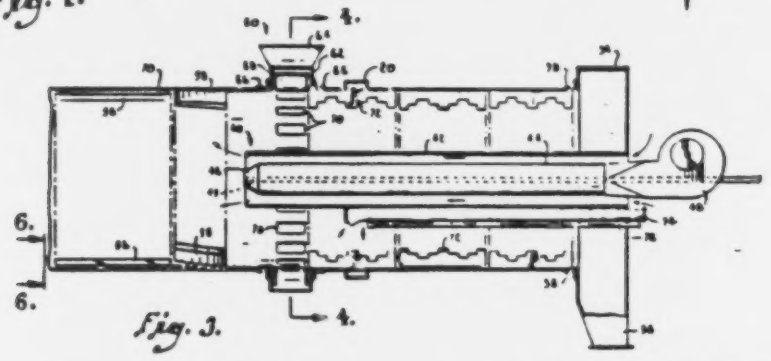

Fig. 3.

Like much of the prior art, Hawkins' described embodiment uses a rotating, inclined drum for mixing the asphalt composition. Aggregate, delivered at a first end 22, rotates toward the opposite end 36 by force of gravity due to an incline. (The incline is not shown here.) Initially, the aggregate is heated and dried by hot gases in a first zone, to the left of the burner head 46. Then, the aggregate enters a second zone—the annular area to the right of the burner head, particularly past the recycle feed assembly 60 (which allows introduction of recycled asphalt material into the drum) and between the combustion assembly 40 and the drum cylinder 10. In the second zone, aggregate is

mixed with hot liquid asphalt and any other needed materials. The hot, mixed asphalt composition is then discharged via a mouth 36.

A gas stream is heated at the burner head and flows in a countercurrent manner through the drum to the first end (where the aggregate is introduced). Figure 3 shows the burner head fed by fuel line 45. The burner head and fuel line are part of the combustion assembly. The combustion assembly also includes a secondary air tube which surrounds the primary tube 44. Fuel and primary air forced by the blower 48 are sent through the primary tube to the burner head. Secondary air, in the space between the primary tube and the secondary air tube (see the arrows in Figure 3), supports combustion at the burner head.

The '938 patent has these four method claims:

> 1. A method for continuously producing an asphaltic composition from asphalt and aggregates, the steps of said method comprising:
>
> introducing aggregate material interiorly of a first end of an inclined, horizontal rotating drum to flow generally from said first end to the second end of said drum;
>
> generating a hot gas stream within said drum to flow through said drum to said first end in the countercurrent relation to said aggregate material;
>
> isolating a zone of said rotating drum from said hot gas stream;
>
> delivering said heated and dried aggregate material to said zone isolated from said hot gas stream;
>
> mixing said aggregate material with liquid asphalt within said zone isolated

from said hot gas stream to produce an asphaltic composition; and

discharging said asphaltic composition from said rotating drum.

2. The method as set forth in claim 1, including the step of adding recycle asphalt material directly to the said zone isolated from said hot gas stream.

3. The method as set forth in claim 1, including the steps of creating a curtain of falling aggregate material within said rotating drum and flowing said hot gas stream through said curtain of falling aggregate material.

4. The method as set forth in claim 1, including the step of blending a fine binder material with said liquid asphalt and aggregate material within said zone isolated from said hot gas stream.

C. Confidentiality Agreement

The contract involved in this case is a nondisclosure agreement for consulting and technical services dated May 13, 1986. Prior thereto, Standard Havens had contacted General Combustion Corporation, a wholly owned subsidiary of Gencor, to obtain consulting services in the design and manufacture of a burner for Standard Havens' proposed counterflow asphalt plant based upon the method described in the Hawkins '938 patent. The nondisclosure agreement required Gencor to maintain as confidential the information obtained from Standard Havens.

D. Litigation

Standard Havens initially sued Gencor for breach of the nondisclosure agreement. Gencor counterclaimed, seeking a declaratory judgment that the Hawkins patent was invalid. In response, Standard Havens charged Gencor with contributing to

inducing infringement of the '938 patent, particularly via production of its asphalt-producing "Ultraplant."

Trial was conducted for thirteen days before a jury. The jury answered a special verdict form, finding that the claimed invention was neither anticipated nor would have been obvious, *see* 35 U.S.C. §§ 102, 103 (1988), that Gencor had contributed to and induced infringement of the '938 patent, and that Standard Havens had been damaged by that infringement in the amount of $5,931,000 (covering sales of ten asphalt plants from the time the patent issued in 1988 until trial in 1989). Regarding the confidentiality agreement, the jury found that a valid contract existed between Standard Havens and Gencor, and that Standard Havens had fulfilled its obligations under the contract, but that Gencor had not fulfilled its obligations. The jury found Standard Havens damaged in the amount of $2,284,000 by breach of the contract, covering sales of five asphalt plants from May, 1986 until the patent issued and the value of lost profits from future parts sales. Judgment, including a permanent injunction, was entered against Gencor on August 8, 1989.

Gencor filed motions for judgment notwithstanding the verdict (JNOV) and alternatively for a new trial contending, *inter alia*, anticipation and obviousness of the invention in light of two Hepburn patents (U.S. Patent No. 1,774,649 (Hepburn '649) issued in 1930 and U.S. Patent No. 1,836,754 (Hepburn '754) issued in 1931) and contesting the infringement finding and the amount of damages (both patent and contract). In an order dated September 1, 1989, the district court denied both motions.

E. The Certificate of Correction

Shortly before commencement of trial, Standard Havens requested from the United States Patent & Trademark Office (PTO) a Certificate of Correction for the '938 patent. The Certificate was granted on the day trial began and was entered into evidence. It added twelve United States patents to the "References Cited" section of the '938 patent, including the two

Hepburn patents mentioned above. After the jury verdict was rendered in the case but before the court acted on the post-trial motions, the Commissioner of Patents ordered that approval of the Certificate be withdrawn.

In its motion for a new trial, Gencor included arguments that the district court erred in (1) receiving as an exhibit the Certificate of Correction, and (2) refusing to declare a new trial after the PTO withdrew its Certificate. As indicated above, the motion was denied in all respects.

F. Appeal to the Federal Circuit

Gencor appealed the district court judgment on November 6, 1989. Gencor argues: (1) the '938 patent claims are invalid in view of Hepburn '649; (2) if the '938 patent claims are construed to maintain their validity, such claim construction compels a finding of non-infringement; (3) the district court erred in admitting into evidence the Certificate of Correction and in not declaring a new trial after the PTO withdrew that Certificate subsequent to the jury verdict; (4) if the patent judgment is reversed or vacated, the judgment on the contract verdict should be vacated and remanded because the patent issues are not so distinct that the contract issues may be treated separately without prejudice; and (5) the jury's damage awards (both patent and contract) are not supported by substantial evidence and are otherwise inappropriate.

G. The Reexamination Proceeding

Shortly after the Certificate of Correction was withdrawn, the Commissioner ordered reexamination of the '938 patent which, as noted by the district court, "was issued *sua sponte* within the meaning of the statute . . . [but] the matter was brought to the Commissioner's attention" by Gencor's counsel.

The reexamination examiner rejected all claims of the '938 patent on a variety of grounds, including the Hepburn references and references not at issue on appeal here. On May 10, 1991,

while the appeal was awaiting decision by this court,[2] the Board of Patent Appeals and Interferences (Board) issued its decision, affirming most of the grounds of rejection found by the examiner.

II
ISSUES

1. Did the district court err in denying Gencor's motion for JNOV or new trial on anticipation (claims 1, 3, and 4) and obviousness (claim 2) grounds?

2. Did the district court err in denying Gencor's motion for JNOV or new trial on infringement?

3. Did the district court err in denying Gencor's motion for a new trial because of the allegedly improper admission in evidence of the Certificate of Correction or in not granting a new trial based on the fact that the Certificate was ordered withdrawn by the Commissioner of Patents?

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[2] This court directed the parties to file supplemental briefs on whether it should stay this appeal until there is a final decision in the reexamination matter. In response, both parties stated they did not want a stay. We agreed that a stay is not appropriate. First, the Board's May 10, 1991 reexamination decision (reconsideration denied September 27, 1991) rejecting the subject claims is subject to judicial review. 35 U.S.C. §§ 141, 145 (1988). In that sense, it not a final adjudication of the matter. *See* 35 U.S.C. § 307 (a) (1988). ("In a reexamination proceeding ... when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable....") Second, Standard Havens stated in its supplemental brief that it intends to institute a civil action in the district court under 35 U.S.C. § 145 challenging the Board's adverse reexamination decision. Hence, it may be many months before the reexamination matter is finally adjudicated. Finally, we note that the Board's reexamination proceeding considering patentability and the district court's infringement suit considering validity are distinct proceedings, with different records and different standards of proof. *See Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427, 7 USPQ2d 1152, 1155-56 (Fed. Cir. 1988 (*citing In re Etter*, 756 F.2d 852, 856, 225 USPQ 1, 4 (Fed. Cir. 1985) (in banc)).

4. If the judgment on patent validity is vacated or reversed, are the contract issues so intertwined with the patent issues that judgment based on the contract must also be vacated?[3]

5. Did the district court err in denying Gencor's motion for JNOV or new trial on the patent and contract damage awards?

III
DISCUSSION

A. *Standard of Review of Denials of Motions for JNOV and New Trial.*

To obtain an appellate reversal of a district court's denial of a motion for JNOV,

> appellant must show that the jury's findings, presumed or express, are not supported by substantial evidence or, if they were, that the legal conclusion(s) implied from the jury's verdict cannot in law be supported by those findings. [Citations omitted.]

Perkin-Elmer Corp. v. Computervision Corp., 732 F.2d 888, 893, 221 USPQ 669, 673 (Fed. Cir. 1984). The "substantial evidence" standard for reviewing findings of fact means that the finding must stand unless appellant shows that no reasonable juror could have made it. *See Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1512-13, 220 USPQ 929, 936 (Fed. Cir, 1984).

A district court has discretion in granting a new trial; hence, in reviewing a denial of a motion for new trial, the abuse of discretion standard applies. *Leichihman v. Pickwick Int'l*, 814 F.2d 1263, 1267 (8th Cir. 1987); *Railroad Dynamics, Inc.*, 727 F.2d at 1512, 220 USPQ at 937; J. Lucas & G. Grotheer, Jr., 6A Moore's Federal Practice, ¶ 59.08[1] at 59-79 (2d Ed. 1991).

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[3] Because of our disposition of the above identified ISSUES 1-3, we need not consider ISSUE 4.

When a motion for new trial is based on the verdict being against the weight of the evidence, the trial court determines whether the jury's verdict is against the clear or great weight of the evidence. *See, e.g., Moxness Prods., Inc. v. Xomed, Inc.*, 891 F.2d 890, 893, 13 USPQ2d 1169, 1171-72 (Fed. Cir. 1989); *Leichihman*, 814 F.2d at 1267; *Bechman v. Mayo Found.*, 804 F.2d 435, 439 (8th Cir. 1986); *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 626, 225 USPQ 634, 643 (Fed. Cir. 1985). It is the role of the appeals court to decide whether that determination constitutes an abuse of discretion. *Shatterproof Glass*, 758 F.2d at 627, 225 USPQ at 643.

B. The District Court Correctly Denied Motions for JNOV or New Trial Regarding the Anticipation of '938 Claims 1, 3, and 4.

Anticipation required that "all limitations of the claim are found in the reference, or 'fully met' by it." *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760, 772, 218 USPQ 781, 789 (Fed. Cir. 1983); *In re King*, 801 F.2d 1324, 1326, 231 USPQ 136, 138 (Fed. Cir. 1986); *Akzo N.V. v. United States Int'l Trade Comm'n*, 808 F.2d 1471, 1479, 1 USPQ2d 1241, 1245 (Fed. Cir. 1986). Here, anticipation involves whether the Hepburn '649 reference discloses all of the elements of the claimed invention. Moreover, because anticipation is a factual determination, *Ralston Purina Co. v. Far-Mar-Co.*, 772 F.2d 1570, 1574, 227 USPQ 177, 179 (Fed. Cir. 1985), the critical question in the JNOV context is whether a reasonable juror could have found that Hepburn '649 failed to anticipate. In the new trial motion context, it is whether the trial court abused its discretion in determining that a finding of "no anticipation" was not against the clear weight of the evidence. We answer the first question affirmatively and the second question in the negative, and hence, we affirm the trial court's conclusion that claims 1, 3, and 4 are not invalid.

The only reference issue on appeal is Hepburn '649.[4] Like the Hawkins '938 patent, Hepburn '649 teaches (and claims) a counterflow method of producing asphalt composition. The embodiment described in Hepburn '649 utilizes the rotating drum depicted below:

Aggregate material enters a first end of the drum 1 from a hopper 12, continues down a chute 13, and flows toward the opposite end of the drum. From the chute, the aggregate is discharged to a heating chamber 1a. In that chamber, the aggregate is heated to remove the moisture therefrom and is simultaneously subjected to a strong blast of air to free the dried aggregate from fine dust. Next, the aggregate flows to a cooling or waterproofing chamber 1b, where it may be treated with a waterproofing liquid or liquefier such as kerosene. Whether or not the aggregate is treated with a waterproofing liquid or liquefier, it continues flowing through the waterproofing chamber into the mixing chamber 1c. As the aggregate is stirred and subjected to agitation in the mixing chamber, binding and coating material (*i.e.*, liquid asphalt) is continuously sprayed on the aggregate. Air from a fan 9 enters the lower end of the mixing chamber at

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[4] Gencor does not argue anticipation based on Hepburn '754. Although the claims differ, Hepburn '649 and Hepburn '754 are very similar; Figures 1-4 in each patent are almost identical. Both patents were before the jury and often discussed by witnesses and the trial judge as a single reference. Because the two Hepburn specifications disclose the same basic concept, evidence about Hepburn '754 is relevant to Hepburn '649.

atmospheric temperature and is impelled toward a burner 20. Upon entering the heating chamber, the air becomes heated by the flame from the burner.

Gencor argues that Hepburn '649 teaches exactly what the claims cover, *i.e.*, a mixing zone 1c that is isolated from the hot gas stream in heating chamber 1a. The district court, however, in denying Gencor's motions for JNOV or new trial, stated:

> During trial the bulk of defendant's proof on the issues of anticipation and obviousness centered on the Hepburn patents. The Hepburn patents, concerning a process and device for producing asphaltic compounds, teach a method of heating and mixing the raw materials in a rotating drum in which the burner is introduced from the rear of the drum to a point approximately in the middle of the drum. However, unlike the Hawkins process the airstream supplying the burner flows unrestricted through the missing [sic, mixing] zone. The plaintiff's expert witnesses testified to several means by which the Hepburn patents could be distinguished from the Hawkins patent. Thus, the Court cannot now conclude that a reasonable jury must have necessarily found that the defendant proved by clear and convincing evidence that the Hepburn patents anticipate the Hawkins patent. Thus, defendant's motion for judgment notwithstanding he verdict on this ground must be denied.

Gencor maintains that the essence of the district court's opinion, and of Standard Havens' case, is that, unlike in Hepburn, no air flows through the mixing zone in the Hawkins invention. Instead, the '938 patent shows the air flowing through tubes isolated from the mixing zone. (*See* 42, 44 in Figures 1 and 3 of the '938 patent, *supra*). But, says Gencor, there is no limitation stated in the '938 patent claims of "isolating air flow from the mixing zone." We agree with Gencor on that. Though

a key aspect of Hawkins' invention may be to direct the airflow through the secondary and primary tubes instead of through the mixing zone, the '938 patent does not contain that limitation. We nevertheless conclude that a reasonable juror could have found that Hepburn '649 does not anticipate the claimed invention.

The claims of the '938 patent require that in the mixing drum a zone be isolated from the hot gas stream. (From the '938 patent specification, we construe hot gas stream to mean the hot gases in the area around the flame; it does not include the air stream passing through the tube surrounding the burner, leading into the flame and hot gas area.) The claims further require that, in the "isolated" zone, aggregate and liquid asphalt are mixed so as to produce an asphaltic composition to be discharged from the drum. In that context, the critical question for resolving whether JNOV was properly denied is whether a reasonable juror could have found that Hepburn '649 does not teach such isolation.

Clearly, Hepburn '649 does not *expressly* teach "isolation" of the mixing chamber from the heating chamber. An anticipatory reference, however, need not duplicate word for word what is in the claims. Anticipation can occur when a claimed limitation is "inherent" or otherwise implicit in the relevant reference. *See, e.g., Tyler Refrigeration v. Kysor Indus. Corp.*, 777 F. 2d 687, 689, 227 USPQ 845, 846-47 (Fed. Cir. 1985).

From the evidence before it, the jury could have reasonably found (*i.e.*, there is "substantial evidence" supporting the fact) that because of the air blown by the fan in Hepburn '649, some of the liquid asphalt sprayed in the mixing chamber would be blown back into the heating chamber. There was direct testimony to that effect, as well as testimony that a Hepburn '649 device would be a blue smoke generator. Blue smoke is caused by liquid asphalt contacting hot gases.[5] Thus, the testimony that

[5] The '938 patent itself states "[e]xcessive heating of asphalt compositions also results in substantial air pollution control problems, known as 'blue-smoke', caused when hydrocarbon constituents of asphalt are driven

Hepburn '649 is a blue smoke generator indicates that the fan in Hepburn '649 would blow sprayed asphalt back into the heating chamber.[6]

Mr. Clements, Standard Havens' chief engineer, testified that the Hepburn '649 device:

> would be a blue smoke generator because here you had liquid asphalt or some type—and in some cases kerosene or some other solvent that evaporates very readily would be borne by the air flow—I mean actually the light side of these hydrocarbons we've heard talk about over the period of trial would be carried out past the burner. Some of them would be incinerated perhaps and some of them would go on beyond. But they would generate a tremendous amount of smoke because of the contact with the oxygen in the air and the fast moving heat in the gas stream.

Also, Mr. McCarter, one of Standard Havens' technical witnesses, stated: "[I]t would appear that these things [product particles and liquid asphalt] are introduced at about here and it would appear that anything that became frayed would be blown since the air is travelling in the direction, would be blown into the drying and heating chamber ... [and] would probably catch fire."[7]

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off and released into the atmosphere." The inventor, Mr. Hawkins, testified that blue smoke " is the result of liquid asphalt being exposed to the flame in the hot gas stream." The hot gas stream "would in a sense burn the liquid asphalt and cause it to smoke."

[6] When describing Hepburn '649, we use the phrase "would blow" rather than "is" or "was" blown, because it does not appear that a Hepburn device was ever implemented in the commercial world. Certainly, Gencor points to no evidence in the record showing that the Hepburn device was a commercial device. Mr. McCarter testified that he knew of no Hepburn device ever built.

[7] Such testimony was in addition to testimony that there would be a risk of explosion when, under one variation of the Hepburn invention, naphtha

We conclude from such testimony that substantial evidence supports the presumed finding of the jury that liquid asphalt in Hepburn would be carried into the hot gas stream of the heating chamber causing blue smoke. It was entirely reasonable, therefore, for the jury to conclude that the process of Hepburn '649 does not "isolate" the mixing chamber from the hot gas stream, as called for by the '938 claims. Hence, Hepburn '649 does not anticipate the claimed invention.

Gencor argues that the critical issue is not the fact question of whether Hepburn '649 teaches "isolation," but rather, it is the meaning of "isolating" in the claims. Because claim interpretation is a legal question, Gencor urges, the court need not focus on "substantial evidence," *i.e.*, what a reasonable juror could find. Instead, it urges that we should decide *de novo* the meaning of "isolate." By so arguing, of course, Gencor is trying to ease our standard of reviewing the dispositive determinations made by the jury in this case. However, even if the issue turned on claim interpretation, a legal question, rather than on what the inference teaches, a fact question, we must rule in favor of Standard Havens. Given the jury's critical presumed finding that liquid asphalt is carried into the hot gas stream of Hepburn, which is supported by substantial evidence, Hepburn '649 simply does not teach "isolating" as required by state claims.

We cannot construe the claimed term "isolating" as covering the Hepburn '649 process, where sprayed liquid asphalt is allowed to be blown out of the mixing zone into the heating zone. All air flow in the '938 patent is confined to the interior of the primary and secondary air tubes. The limitation of the '938 patent for isolating the mixing zone is to prevent the hot liquid asphalt from being exposed to the heating zone. The essential purpose of the Hawkin's invention, as stated in the specification, is to eliminate that blue smoke and product degradation problem by keeping liquid asphalt from contacting the hot gas stream.

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or kerosene is added to the cooling, waterproofing zone 1b. Also, there was testimony that fines or binder material would be blown by the air stream.

We deem this construction to be not only a reasonable one but, also, to be the only correct one. Thus, the district court did not err in denying Gencor's JNOV motion on claim 1. Nor did it abuse its discretion in denying Gencor's new trial motion in that respect.

Claims 3 and 4, dependent on claim 1, add limitations that have been separately addressed by Gencor. However, Gencor's arguments do not overcome the basic deficiencies of Hepburn '649 as an anticipatory reference, as discussed above.

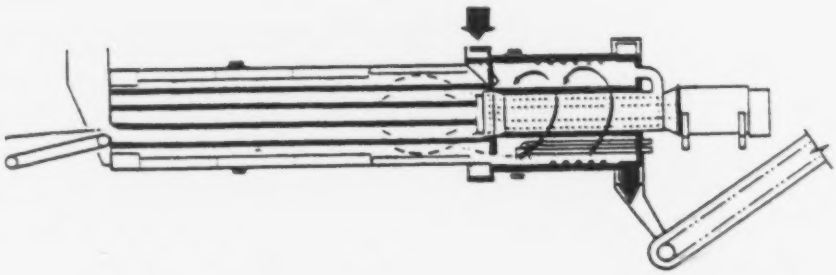
C. The District Court Correctly Denied Motions for JNOV or New Trial Regarding the Obviousness of '938 Claim 2.

The jury found that Gencor had not proved that the invention of claim 2 would have been obvious. Invalidity of that claim under 35 U.S.C. § 102 was not at issue because Hepburn '649 does not disclose the step claimed in the '938 patent of adding recycle asphalt material to the zone isolated from the hot gas stream. Nevertheless, Gencor challenged claim 2 under 35 U.S.C. § 103 over Hepburn '649 in view of the U.S. Patent No. 4,797,002 to Heap, which teaches addition of recycled material.

Although Heap provides for adding recycle, Gencor's obviousness argument fails because Heap, in conjunction with Hepburn '649, does not suggest overcoming the basic deficiencies of Hepburn '649, which are explained in section III.B. above. Moreover, an objective criterion of nonobviousness, *i.e.*, solving the problem of blue smoke generation, weighs in favor of nonobviousness. Thus, Gencor has not demonstrated that the district court erred in denying JNOV or abused its discretion in denying a new trial on the section 103 issue.

D. The District Court Correctly Denied Motions for JNOV or New Trial Regarding Infringement.

Below is a drawing of Gencor's "Ultraplant:"



Gencor's asphalt plant is similar to that claimed in the '938 patent. However, two differences are readily apparent. First, Gencor includes a partial divider wall separating the drying from the mixing zone. Where that wall is located there is a structural barrier to isolate further the mixing zone from the drying/heating zone. Second, Gencor adds what is referred to as a "volatile reclaim system (vapor relief outlet to incineration)." That reclaim system "captured the combustibles (i.e. hydrocarbons) and odors that are created during the asphalt mixing process and feeds them into the burner converting them from pollutants to fuel."

Gencor does not deny that the addition of two steps to a process that otherwise infringes a claim does not generally avoid infringement. *See, e.g., Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1057, 5 USPQ2d 1434, 1444 (Fed. Cir. 1988). By focusing on its volatile reclaim system, Gencor argues that any claim interpretation that would distinguish the '938 patent claims from Hepburn '649 would compel a "no infringement" holding. Gencor contends that if Hepburn '649 is held nonanticipatory because gas (air) and particles flowing from the mixing chamber into the heating chamber preclude a holding

that Hepburn "isolates" one chamber from the other, the Gencor device similarly does not "isolate" because gas (steam) and particles flow from the mixing area into the heating chmber (via the burner). We reject that argument.

In distinguishing Hepburn '649 from the claimed invention, we concluded that "isolating" does not encompass a process where liquid asphalt is allowed to excape into the heating chamber, causing blue smoke. Hepburn '649 is such a process; Gencor's ultraplant is not. With Gencor's device, there is ample evidence in the record that what is being pulled out of the mixing zone is some hydrocarbon material, which is sent through the burner flame to be incinerated.

Hence, we conclude that the district court correctly denied Gencor's motions for JNOV or new trial on infringement.

E. The District Court Did Not Err in Admitting the Certificate of Correction or in Refusing to Grant a New Trial When the Certificate Was Withdrawn.

Gencor argues that it was error for the district court to admit the Certificate of Correction into evidence. It contends that the certificate lacked trustworthiness and thus did not qualify as a public record exception to the hearsay rule (Fed. R. Evid. 803(8)). The district court stated: "At the time the certificate of correction was offered into evidence, it was a public document . . . and of unquestionable relevance to the instant suit."

Under 35 U.S.C. § 254 (1988), a Certificate of Correction is part of the patent.[8] Being a public document and of particular

[8] 35 U.S.C. § 254 states in pertinent part:

> A printed copy [of the Certificate] shall be attached to each printed copy of the patent, and such certificate shall be considered as part of the original patent. Every such patent, together with such certificate, shall have the same effect and operation in law on the trail of actions for causes thereafter arising as if the same had been originally issued in such corrected form.

See also 35 U.S.C. § 255 (1988).

relevance, it was not improper for the trial court to admit the certificate into evidence. Gencor's arguments relating to the trustworthiness of the Certificate are not persuasive.

Gencor also argues that a new trial was required because the Certificate was withdrawn by the PTO after the conclusion of trial and that this was new evidence warranting a new trial. The district court stated:

> In the absence of a final ruling on this issue [*i.e.*, the reexamination proceeding] by the patent office, the pending proceeding with regard to the Certificate of Correction does not yet rise to the level of "new evidence" as would justify that the judgment be vacated under Fed. R. Civ. P. 60. Therefore, defendant's motion for a new trial on this ground is denied.

Because of the pendency of the reexamination proceeding at the time of the district court opinion, we do not regard the trial court's denial of a new trial as an abuse of its discretion. We leave open the question of whether a Fed. R. Civ. P. 60(b)(2) motion should be granted after a final ruling on appeal of the PTO Board's reexaminaiton decision.[9]

F. The Patent Damage Award is Vacated, With Remand to the District Court to Redetermine Patent Damages.

The jury awarded $5,931,000 to Standard Havens for patent infringement. Although there was some evidence about a 25% reasonable royalty rate in the industry, most of the evidence pertained to, and it seems clear that the award was

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[9] In ruling on such a motion, a critical question will be whether the alleged error in admitting the document was harmless, *i.e.*, whether correction of the error could have changed the outcome. *See generally* 7 J. Moore & J. Lucas, Moore's Federal Practice ¶ 60.23[4], at 200-202 (2d Ed. 1991). The importance of the Certificate seems to be that is was used to verify that the Hepburn patents were considered by the examiner. In this connection, we note that in the file history of the '938 patent the Hepburn patents were mentioned to the examiner at least three times.

based on, lost profits. Gencor filed a motion for JNOV or, alternativiely, for a new trial, claiming, *inter alia*, that the jury's damage awards were not supported by substantial evidence. The motions were denied by the district court, and, on appeal, Gencor claims that the denials were in error and the case should be remanded for determination of a reasonable patent royalty. We agree that the patent damage judgment must be vacated, but we remand the case for redetermination of lost profits.

A lost profits award requires (1) showing that the patent owner would have made the sale but for the infringement, *i.e.*, causation existed, and (2) proper evidence for the computation of the loss of profits. *King Instruments Corp. v. Otari Corp.*, 767 F.2d 853, 863, 226 USPQ 402, 409 (Fed. Cir. 1985). Evidence that shows a reasonable probability that the patent owner would have made the infringing sales made by the infringer will suffice. *Id.* at 864, 226 USPQ at 409-10; *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065, 219 USPQ 670, 675 (Fed. Cir. 1983). Thus, the patent owner need not prove causation as an absolute certainty.

One way to establish causation is the four-part test applied in *Panduit Corp. v. Stahlin Bros. Fiber Works*, 575 F.2d 1152, 1156, 197 USPQ 726, 729-30 (6th Cir. 1978). To recover under that test, the patent owner must prove (1) a demand for the patented product, (2) an absence of acceptable noninfringing substitutes, (3) the manufacturing and marketing capability to exploit the demand, and (4) the amount of profit the patent owner would have made. *See Kaufman Co. v. Lantech, Inc.*, 926 F.2d 1136, 1140, 17 USPQ2d 1828, 1831 (Fed. Cir. 1991).

Here, the jury was properly instructed on the *Panduit* test. Gencor argues, however, that the jury's presumed finding that there was an absence of acceptable noninfringing substitutes is not supported by substantial evidence. We disagree.

It is true that the record establishes a competitive market for asphalt plants, with parallel flow plants competing for sales

with counterflow plants. However, the mere existence of a competing device does not necessarily make that device an acceptable substitute. *TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895, 901, 229 USPQ 525, 529 (Fed. Cir. 1986). A product on the market which lacks the advantages of the patented product can hardly be termed a substitute acceptable to the customer who wants those advantages. *Id. See also Panduit*, 575 F.2d at 1162, 197 USPQ at 734. Accordingly, if purchasers are motivated to purchase because of particular features available only from the patented product, products without such features—even if otherwise competing in the marketplace—would not be acceptable noninfringing substitutes. *SmithKline Diagnostics, Inc. v. Helena Lab. Corp.*, 926 F.2d 1161, 1166, 17 USPQ2d 1922, 1926 (Fed. Cir. 1991). *See also Slimfold Mfg. Co., Inc. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1458, 18 USPQ2d 1842, 1846 (Fed Cir. 1991) ("[Patent owner] failed to show that *buyers* of bi-fold metal doors specifically want a door having the advantages of the Ford patent . . . .") (emphasis own).

Thus, to prove that there are no acceptable noninfringing substitutes, the patent owner must show either that (1) the purchasers in the marketplace generally were willing to buy the patented product for its advantages, or (2) the specific purchasers of the infringing product purchased on that basis. From the record here, a reasonable juror could have found the latter. There was evidence of record that the counterflow method of the claimed invention, which the Gencor Ultraplant performs, offered the prospect of overcoming significant problems—control of blue smoke emissions and product degradation—in a time of increasing environmental concern. A reasonable juror could have found that the sales made by Gencor of its counterflow plants were made because of those advantages and that there were "no acceptable substitutes other that the patented device." *See, e.g., Kaufman Co. v. Lantech, Inc.* 926 F.2d at 1143 n.17, 17 USPQ2d at 1833 n.17 (Patent owner "sustained its burden of showing that each customer desired the advantages of the film-

driven prestretch by merely showing that the customer chose to purchase a film-driven prestretch machine instead of conventional . . . prestretch machines.")

Gencor argues that Standard Havens never bid on the Mount Hope and Balf plant sales, which were two of the sales necessarily included in the damage award. However, in both *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 222 USPQ 4 (Fed. Cir. 1984), and *Kaufman Co. v. Lantech, Inc.*, this court concluded that it was not of controlling significance that the patent owner did not bid on every infringing sale. *Gyromat* states: "The fact that [the patentee] bid against [the infringer] on only seven of the 152 infringing sales does not show that [the patentee] could not and would not have made those sales if [the infringer] had not infringed." 735 F.2d at 554, 222 USPQ at 8. Although those cases involved two-supplier markets and a more competitive market existed here, the competitive processes here were not shown to have the advantages of the patented counterflow process. Thus, the fact that Standard Havens did not bid on Mount Hope and Balf is not a basis for overturning the jury's award to Standard Havens of its lost profits attributable to those infringing sales by Gencor.

However, only six of the ten plants sold by Gencor during the patent period were properly included in a patent damage award. Gencor persuasively argues that three of the ten sales were of noninfringing plants in the United States, and that one sale was made to a foreign customer located in England.

Regarding the three noninfringing plant sales, Standard Havens argues that Gencor's bids for those sales "included their infringing counterflow plant, and only later did Gencor introduce the parallel flow plant." Because of that substitution, which Standard Havens refers to as a "bait and switch" tactic, Standard Havens contends that it lost sales of its counterflow plant. We agree with Gencor, however, that because a contributorily infringing counterflow plant was not actually sold in

those three instances, there was no direct infringement of the '938 patent, and thus, no contributory infringement. *See, e.g., Porter v. Farmers Supply Serv., Inc.*, 790 F.2d 882, 884, 229 USPQ 814, 815 (Fed. Cir. 1986).

As to the sale to a foreign customer, Standard Havens asserts that Gencor made the sale in the United States. The '938 patent claims a method for producing asphalt, not he apparatus for implementing that process. Thus, the sale in the United States of an unclaimed apparatus alone does not make Gencor a contributory infringer of the patented method. Moreover, infringement by the foreign customer has not been shown because there is no evidence of the plant's use in the United States. Further, there can be no inducement of infringement or contributory infringement under 35 U.S.C. § 271(b), (c) (1988) in the absence of direct infringement. *See, e.g., id.* Similarly, there is no evidence in the record showing that the foreign purchaser shipped products back to the United States made abroad by the patented process, *see* 35 U.S.C. § 271(g) (1988). Finally, we do not find the provisions of 35 U.S.C. § 271(f) implicated.

The patent damage award must therefore be vacated and the case remanded for redetermination of the proper award for lost profits based on the six infringing sales.

Gencor further argues that the $5.93 million patent damage award is speculative, and that neither party can ascertain exactly how it was calculated. Although an award cannot be totally speculative, "the amount need not be proven with unerring precision." *Bio-Rad Lab., Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604, 616, 222 USPQ 654, 664 (Fed. Cir. 1984). In jury cases, "awards, unless the product of passion and prejudice, are not easily overturned or modified on appeal." *Weiner v. Rollform, Inc.*, 744 F.2d 797, 808, 223 USPQ 369, 375 (Fed. Cir. 1984). The amount of damages is a question of fact, *SmithKline Diagnostics Inc.*, 926 F.2d at 1164 n.2, 17 USPQ2d at 1925 n.2.

Standard Havens' evidence pertaining to patent infringement damages was provided primarily through the testimony of Mr. Brain. According to him, the damages incurred by Standard Havens during the patent period ranged from a cumulative low of $4,114,860 to a high of $6,925,998, depending upon the value of certain variables used in calculating the damages (*e.g.*, estimated margin, value per ton, length of carrying period). The jury's award of $5,931,000 for patent infringement damages is well within the range of those damage estimates. Also, the district court noted, the award was between the amounts estimated by plaintiff's and defendant's experts. Consequently, on this record the damage award of $5.931 million could not have been rejected as too speculative had it otherwise been proper to use the ten plant sales. Because only six of the sales resulted in contributory infringement, the damage award must be reduced accordingly.

G. The Contract Damage Award is Vacated, With Remand to the District Court To Redetermine the Amount of the Award.

The jury's award of $2,284,000 for breach of contract was similar to the patent lost profits damage award inasmuch as it was based on lost plant sales to Gencor. This damage award also included the present value of profits on future parts sales.[10] The lost plant sales pertained to Gencor's sale of five asphalt plants during the period between the date of the nondisclosure agreement and the issuance of the '938 patent. Standard Havens had to prove that, in the absence of the breach of that agreement, it would have made those five sales, just as it had to prove in the patent context that, in the absence of Gencor's contributorily infringing sales, it would have made those sales. *See, e.g.*,

[10] The evidence of record indicates that the amount of the plant sales component of the contract damage award of $2,284,000 is between $1,239,365 and $1,559,701. Thus, the parts sales component is between $724,299 and $1,044,635. Neither the jury nor the district court determined the exact breakdown between plant sales and parts sales.

United Indus. Syndicate, Inc. v. Western Auto Supply Co., 686 F.2d 1312, 1316 (8th Cir. 1982) ("The fundamental measure of contract damages is that which places the nonbreaching party in the position it would have been but for the breach.")

Gencor argues that there is no substantial evidence showing that Standard Havens would have made the five pre-patent sales that Gencor made. Gencor's arguments in that regard resemble its arguments on why Standard Havens failed to prove damages in the patent context. For the reasons stated in the preceding section on patent damages, the jury could reasonably have found from the evidence that, if Gencor had not made the five pre-patent sales, Standard Havens would indeed have made them. Hence, we affirm the contract damage award reflecting plant sales lost to Gencor.

Gencor further contends that the future parts sales component of the contract damage award is improper due to the speculative nature of assessing future profits. It is true that courts will not award contract damages that are too remote, uncertain, or based wholly upon speculative expectations. *See Brown v. McIBS,Inc.*, 722 S.W.2d 337, 341 (Mo. Ct. App. 1986). A claim of lost profits on future sales, however, is possible if made "reasonably certain by proof of actual facts which present data for a rational estimate of such profits." *Id. See also Coonis v. Rogers*, 429 S.W.2d 709, 714 (Mo. 1968); *Jack L. Baker Cos. v. Pasley Mfg. & Distrib. Co.*, 413 S.W.2d 268, 270 (Mo. 1967).

Here the evidence is sufficient to support a finding by the jury that if Standard Havens had made the original plant sales it would have made the future parts sales as well. Although the record shows that over twelve companies provide parts for asphalt plants, the jury heard testimony concerning the lost sales "domino effect"; when a company loses a plant sale it will also lose that plant's future parts sales because the customer normally purchases repair parts from the original plant vendor.

Moreover, the amount of the future parts sales involved here—between $724,299 and $1,044,635—is a reasonable figure in view of evidence of record that shows Standard Havens would lose between $588,923 to $1,472,308 in profits from expected parts sales for the five plants over a ten-year period.

The district court, however, has enjoined Gencor from future contributory infringement and that it is thereby enjoined during the patent's existence from making parts sales for the plants sold in the contract period. Standard Havens contends that Gencor is not enjoined because it is protected by the "repair" doctrine of *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (*Aro II*), and *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, *reh'g den.*, 365 U.S. 890 (1961) (*Aro I*), which permits the repair of a patented item that has been acquired from a patentee or a licensee of the patentee. We are unpersuaded by Standard Havens' reliance on the repair doctrine.

The repair doctrine is an extension of the implied right of a purchaser or licensee to use the patented item if it has been validly purchased or licensed from the patentee or from one authorized by the patentee. *See, e.g., Aro II*, 377 U.S. at 497 ("When the patentee has sold the patented article or *authorized its sale* and has thus granted to the purchaser an 'implied license to use,' it is clear that he cannot thereafter restrict that use....") (emphasis added). That right to use includes the right to purchase repair parts and to repair the patented item.

Gencor argues that the *Aro* repair doctrine is inapplicable here because the asphalt plants were not purchased from the patentee or from one authorized by the patentee to sell. In *King Instruments Corp. v. Otari Corp*, however, an authorized seller was not necessary for the repair doctrine to apply. *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 226 USPQ 402 (Fed Cir. 1985), *appeal from remand*, 814 F.2d 1560, 2 USPQ2d 1201 (Fed. Cir. 1987). Otari was an infringer, but the court held

that it became an implied licensee when the court-awarded damages were paid to King, the patent owner. Upon payment, the patent owner was made whole for the lost profits on the infringing machine sales. In this case, the application of *King* depends on whether Gencor will pay the contract damages. In an analogous fact pattern, *Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 3 USPQ2d 1412 (Fed. Cir. 1987), an injunction was denied to a patentee who had been awarded full compensation." There the court found that the defendant's parent corporation had filed a corporate guarantee and held the guarantee to be "sufficiently equivalent to compensation [to the patent owner] to warrant denial of an injunction." *Id.* at 1549, 3 USPQ2d at 1420. Gencor's asserted financial difficulties, *see Standard Havens Prods. v. Gencor Indus., Inc.*, 897 F.2d 511, 515, 13 USPQ2d 2029, 2032 (Fed. Cir. 1990), render its payment of the contract award to Standard Havens uncertain, and there is no outside assurance of payment as in *Amstar*. To permit the repair doctrine of *King* to be applied in this case would be to anticipate payment of the contract award when it is not a foreseeable event.

Even if payment by Gencor of the contract damage award for the five plants were foreseeable, it is not possible to determine in advance whether the future sales of parts would be a permissible repair or an impermissible reconstruction. The difference between a repair and a reconstruction is a difficult question that must be resolved case by case based on all the circumstances. *See, e.g., Everpure, Inc. v. Cuno, Inc.*, 875 F.2d 300, 10 USPQ2d 1855 (Fed. Cir. 1989); *Dana Corp v. American Precision Co.*, 827 F.2d 755, 3 USPQ2d 1852 (Fed Cir. 1987); *Porter v. Farmers Supply Serv.*, 790 F.2d 882, 229 USPQ 814 (Fed. Cir. 1986). For now, one can only guess whether and how many of Gencor's future parts sales would be used in repairs under the *Aro* doctrine and thereby be free of the injunction.

We must conclude in the circumstances of this case that the lost profits on the future sales of parts are entirely too speculative to permit a damage award on that basis.

CONCLUSION

We affirm the district court's judgment that the '938 patent is infringed and not invalid; we vacate the patent damage award for reconsideration in light of our conclusion that only six of the ten plants should be included in computing the damage award; and we vacate the contract damage award and remand to exclude from that award the amount representing profits attributable to future parts sales.

COSTS

The parties shall bear their respective costs.

AFFIRMED-IN-PART, VACATED-IN-PART,
AND REMANDED

90-1048

United States Court of Appeals

for the Federal Circuit

NOTE:
Pursuant to Fed. Cir. R. 47.8, this order is not citable as precedent. It is public record.

STANDARD HAVENS PRODUCTS, INC.,
Plaintiff-Appellee,

v.

GENCOR INDUSTRIES, INC.,
Defendant-Appellant.

ON MOTION

Before ARCHER, and MICHEL, *Circuit Judges,* and SENTER, *Chief Judge.** ARCHER, *Circuit Judge.*

ORDER

Gencor Industries, Inc. moves "for a ruling that Standard Havens is collaterally estopped to deny the invalidity of the patent-in-suit." Standard Havens Products, Inc. opposes.

This matter stems from Standard Havens' patent infringement suit against Gencor in the United States District Court for the Western District of Missouri. The district determined, inter alia, that Standard Havens' patent was not invalid. Gencor appealed that judgment to this court. The Board of Patent

* Honorable L.T. Senter, Jr., Chief Judge of the United States District Court for the Northern District of Mississippi, sitting by designation.

Appeals and Interferences thereafter upheld a reexamination decision that the claims of Standard Havens' patent are unpatentable. After the Board denied its motion for reconsideration, Standard Havens filed a civil action seeking review of the decision pursuant to 35 U.S.C. § 145, which has yet not been decided by the district court.

Gencor urges us to give the Board's decision preclusive effect on the grounds that (1) the agency decision should be given collateral estoppel effect even if the agency decision is being appealed, (2) the district court proceeding is not a de novo proceeding, and (3) Standard Havens has had a full opportunity to litigate. We decline to give the Board's decision preclusive effect under the circumstances here.

We note that this is not a case where the Board's decision was issued while the issue of validity was pending before the district court. Rather, the district court's judgment that the patent was not invalid was entered many months before the Board' s decision and that holding is ripe for decision on appeal.[1]

Gencor concedes that the precise issues presented here has never been decided. However, it points to cases where courts have given administrative agency decisions preclusive effect and urges us to apply the doctrine *See e.g., United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966) (administrative findings on factual issues were final and conclusive). We determine, however, that this is not an appropriate case to apply the principles of collateral estoppel. First, the statute governing reexamination specifically provides that "when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent *finally determined* to be unpatentable ...." 35 U.S.C § 307 (emphasis added). Thus, the statute contemplates

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[1] The court's decision on the merits is being issued simultaneously with this order.

delaying execution of the Board's decision until after any appeal is completed.[2]

Our case law further supports the proposition that it is not appropriate to apply the doctrine of collateral estoppel here. In two cases where we applied the doctrine of collateral estoppel, we gave preclusive effect to our earlier *appellate* decisions holding that the patents in suit were invalid. *Thompson Hayward Chem Co. v. Rohm and Haas Co.*, 745 F.2d 27 (Fed. Cir. 1984) *(Rohm and Haas II); Dana Corp v. NOK Inc.*, 882 F.2d 505 (Fed. Cir. 1989) (Dana II).

In *Rohm and Haas v. Chrystal Chem. Co.*, 722 F.2d 1556 (Fed. Cir. 1983) *(Rohm and Haas I)*, we reversed a district court's holding that Rohm and Haas' patent was not invalid. Meanwhile, a second district court had determined that Rohm and Haas' patent was not invalid. On appeal, Thompson Hayward argued that Rohm and Haas was collaterally estopped from recovering damages for infringement of its patent that had been held invalid. We agreed and applied the holding of *Rohm and Hass I. Rohm and Hass II.*, 745 F.2d at 34. Significantly, the decision given preclusive effect had been decided on appeal; it was not, as here, a decision of an administrative tribunal.

More recently in *Dana II*, the district court determined that Dana's patent was not invalid. During the appeal of *Dana II*, we determined in *Dana Corp. v. IPC Ltd. Partnership*, 860 F.2d 415 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989) *(Dana I)*, that Dana's patent was invalid. NOK Inc. argued in *Dana II* that our determination of invalidity of the same patent in *Dana I* required reversal of the district court's decision on appeal. We determined that our holding that Dana's patent was invalid collaterally estopped Dana from asserting the validity of its patent on appeal. Thus, in both *Rohm and Haas II* and *Dana II*, the decisions given preclusive effect were *appellate* decisions

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[2] At this point in time, *no court* has found any claim of the patent to be unpatentable.

of invalidity which we applied in subsequent appeals involving the same patents. In contrast, Gencor asks us to preclude Standard Havens from disputing the decision of an administrative agency holding the claims of the patent unpatentable where that decision has not yet been subject to judicial review by either a district court or an appellate court.

Under the Restatement (Second) of Judgments § 28(4) (1982), concerning exceptions to the doctrine of collateral estoppel, a significant factor to be considered is whether the burdens of persuasion in the two proceedings are the same (relitigation of the issue in a subsequent action between parties is not precluded when the party seeking issue preclusion has a significantly heavier burden than it had in the first action). We stated in *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) that the burdens are entirely different in reexamination than they are in patent litigation:

> Before the courts, a patent is presumed valid and the party asserting invalidity must prove the facts to establish invalidity of each claim by clear and convincing evidence [cite omitted]. In a reexamination proceeding, on the other hand, there is no presumption of validity and the "focus" of the reexamination "returns essentially to that present in an initial examination," *In re Etter*, 756 F. 2d at 857, 225 USPQ at 4, at which a preponderance of the evidence must show nonpatentability before the PTO may reject the claims of a patent application.

The district court and the Board can consider different evidence and "on the same evidence could quite correctly come to different conclusions." *Ethicon, Inc.*, 859 F.2d at 1428. Because of the different standards of proof, we conclude that Standard Havens is not estopped to deny the invalidity of the patent in suit.

For the foregoing reasons, we decline in this case to apply the doctrine of collateral estoppel.

Accordingly.

IT IS ORDERED THAT:

Gencor's motion is denied.

FOR THE COURT

/s/
Glenn L. Archer, Jr.
Circuit Judge

12/31/91
Date

cc: Donald L. Zarley, Esq.
Donald R. Dunner, Esq.

90 1048

Unites States Court of Appeals

for the Federal Circuit

STANDARD HAVENS PRODUCTS, INC.,
Plaintiff-Appellee,

v.

GENCOR INDUSTRIES, INC.,
Defendant-Appellant.

ON MOTION

Before NIES, MAYER and MICHEL, *Circuit Judges*.

MICHEL, *Circuit Judge*.

ORDER

The following have been submitted:

(1) Gencor Industries, Inc.'s renewed motion for a stay of execution of the judgment and imposition of the injunction entered by the United States District Court for the Western District of Missouri during the pendency of an appeal to this court;

(2) Standard Havens Products, Inc.'s opposition thereto;

(3) Standard Havens' supplemental opposition;

(4) Gencor's response to Standard Havens' supplemental opposition;

(5) Gencor's motion for leave to file a supplemental response;

(6) Standard Havens' motion for leave to file a response to Gencor's supplemental response;

(7) Gencor's motion for leave to file a second supplemental response;

(8) Gencor's letter to the court of January 19, 1990;

(9) Standard Havens' letter to the court of January 22, 1990; and

(10) Standard Havens' motion for leave to file a further supplemental response.

At the outset, the court's December 6, 1989, order specifically stated that it would consider only two submissions, i.e., the renewed motion for stay and the response thereto. Accordingly, all motions for leave to file supplemental oppositions or responses are denied.

In deciding whether to grant this motion, we must apply the four factors that always guide our discretion to issue a stay pending appeal: "(1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies." *Hilton v. Braunskill,* 481 U.S. 770, 776 (1987); *see E.I. DuPont de Nemours & Co. v. Phillips Petroleum,* 835 F.2d 277, 278, 5 USPQ2d 1109,1110 (Fed. Cir. 1987). Each factor, however, need not be given equal weight. *See Providence Journal Co. v. Federal Bureau of Investigation,* 595 F.2d 889, 890 (lst Cir. 1979) (granting stay pending appeal). Also, likelihood of success in the appeal is not a rigid concept. *See Washington Metro. Area Transit Comm'n v. Holiday Tours,* 559 F.2d 841, 844 (D.C. Cir. 1977) (In ruling on a motion to vacate stay: When there "is substantial equity, and need for judicial protection, whether or not movant has shown a mathematical probability of success" then "[a]n order maintaining the status quo is appropriate").

When harm to applicant is great enough, a court will not require "a strong showing" that applicant is "likely to succeed on the merits." *Hilton,* 481 *U.S.* at 776. Indeed, in *Hilton*[1] the Supreme Court acknowledged, "the traditional stay factors contemplate individualized judgments in each case, the formula cannot be reduced to a set of rigid rules." *Id.* at 777. The Court specifically discussed, in the context of a habeas corpus petition, the "strong likelihood of success" factor and indicated a stay was appropriate: "[w]here [movant] establishes that it has a strong likelihood of success on appeal, or where, failing that, it can nonetheless demonstrate a *substantial case* on the merits," *provided* the other factors militate in movant's favor. *Id.* at 778 (emphasis added). The Second Circuit, in a preliminary injunction case, said:

> it is not necessary that plaintiff's right to a final decision, after trial, be absolutely certain, wholly without doubt; if the other elements are present (i.e., the balance of hardships tips decidedly toward plaintiff), it will ordinarily be enough that the plaintiff has raised questions going to the merits so serious, substantial, difficult and doubtful, as to make them a fair ground for litigation ....

Hamilton Watch Co. v. Benrus Watch Co., 206 F.2d 738, 740 (2d Cir. 1953); *see Charlie's Girls, Inc. v. Revlon, Inc.,* 483 F.2d 953, 954,179 USPQ 193,193 (2d Cir. 1973).

Thus, the four stay factors can effectively merge, as our court impliedly recognized in *Dupont,* saying "[i]n considering whether to grant a stay pending appeal, this court assesses movant's chances for success on appeal and weighs the equities as they affect the parties and the public." 835 F.2d at 278; *see Roland Mach. Co. v. Dresser Indus., Inc.,* 749 F.2d 380, 387-88

[1] While *Hilton* was not a general civil case, but involved a habeas corpus proceeding, the Supreme Court recognized the appropriateness of analogizing general civil case standards for such proceedings. *See* 481 U.S. at 776 n.5.

(7th Cir. 1984) (discussion of injunctions applying a "sliding scale approach": "The more likely the plaintiff is to win, the less heavily need the balance of harms weigh in his favor; the less likely he is to win, the more need it weigh in his favor."); *see also Omega Satellite Prods. Co. v. City of Indianapolis*, 694 F.2d 119, 123 (7th Cir. 1982) (chance of success of injunction movant must be "better than negligible" even if harm is very great); *William Inglis & Sons Baking Co. v. ITT Continental Baking Co.*, 526 F.2d 86, 88 (9th Cir. 1975) (if harm to injunction applicant is "sufficiently serious, it is only necessary that there be a *fair chance* of success on the merits" (quoting *C. Tennant & Sons v. New York Terminal Conference*, 299 F. Supp. 796, 799 (S.D.N.Y. 1969))) (emphasis added).

Also in the context of preliminary injunctions, this court has likewise adopted a flexible approach in analyzing the four factors. *See, e.g., Hybritech Inc. v. Abbott Laboratories*, 849 F.2d 1446,1451, 7 USPQ2d 1191, 1195 (Fed Cir. 1988) (The "factors, taken individually, are not dispositive; rather, the district court must weigh and measure each factor against the other factors and against the form and magnitude of the relief requested."); *H.H. Robertson, Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390, 2 USPQ2d 1926, 1930 (Fed. Cir. 1987) ("The magnitude of the threatened injury to the patent owner is weighed, in light of the strength of the showing of likelihood of success on the merits, against the injury to the accused infringer if the preliminary decision is in error. . . . No one element controls the result."); *Smith Int'l. Inc. v. Hughes Tool Co.*, 718 F.2d 1573,1581 n.7,219 USPQ 686,692 n.7 (Fed. *Cir.),cert. denied*, 464 U.S. 996 (1983) (Where likelihood of success "is less forceful . . . a movant would have to make a stronger showing of irreparable harm in order to tip the balance of equity in his favor.")

Standard Havens' patent (Hawkins) claims: "A method for continuously producing an asphaltic composition . . . the

steps of said method comprising: . . . isolating a zone of said rotating drum from said *hot gas stream* ...." (emphasis added). After the jury verdict, but before entry of judgment against Gencor on August 9, 1989, the Deputy Assistant Commissioner (Commissioner) of Patents and Trademarks, *sua sponte*, ordered reexamination because the Hepburn patent, which is pertinent prior art, "teach[es] (a) a zone isolated within a rotating drum for mixing aggregate with asphalt and (b) that the zone is isolated *from the hot gases* produced by the burner." Commissioner Initiated Order for Reexamination, Patent No. 4,787,938, at 2 (July 10, 1989) (emphasis added).[2] Although it is disputed and uncertain whether the original examiner considered Hepburn, the Commissioner's order stated, "If the examiner 'considered' the Hepburn patent during prosecution of the application . . . the examiner apparently overlooked or did not fully appreciate those portions of Hepburn which teach" that the "zone is isolated from the hot gases produced by the burner." *Id.* That teaching of Hepburn "raise[s] a substantial new question of patentability." *Id.*

With regard to the likelihood of success on appeal, Gencor points out that the Commissioner ordered reexamination[3] ex-

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[2] The Commissioner initiated less than 1% of all reexaminations over the past eight years, and 93% of those he did institute resulted in cancellation or amendment of the claims. *See* United States Patent and Trademark Office, Reexamination Filing Data at 1, 5 (June 30, 1989); Appendix to Emergency Motion for Stay, *Standard Havens v. Gencor*, No. 90-1048 at 152, 156 (Fed Cir. filed Oct. 30, 1989).

[3] Although we do not rely on it, we take judicial notice of the "adjudicative fact" of the January 8, 1990, first office action on reexamination, rejecting the Hawkins claims. Gencor submitted a copy of the first office action to this court with a letter dated January 19, 1990; thus, the office action is now a part of the record in this motion. *See* Fed. R. Evid. 201(b) (2) ("A judicially noticed fact must be one not subject to reasonable dispute in that it is . . . capable of accurate and ready determination by resort to sources whose accuracy cannot be reasonably questioned."); *Massachusetts v. Westcott*, 481 U.S. 322, 323 n.2 (1977) (public records "may be judicially noticed");

plicitly because the Hepburn patent taught isolating a zone from the hot gas stream. Gencor argues that, as in *Dupont* where a stay was granted, the mere existence of conflicting views on validity as between a court and the Patent and Trademark Office supports its contention there exists an important legal question regarding validity. *Dupont*, however, cannot control the disposition of this motion because of factual differences. In *Dupont* the harm to the nonmovant was minimal. Dupont, unlike Standard Havens, was completely divesting itself of the relevant line of business and had licensed all willing competitors, a factor the court treated as nearly dispositive. *Dupont*, 835 F.2d at 278. Here, of course, Standard Havens continues in its business and vigorously asserts its right to exclude all others. Nevertheless, just as in *Dupont*, here, too, there is a substantial legal question regarding validity. *Id.*

The interpretation in the Commissioner's letter ordering reexamination as to the scope of the Hawkins claims, and the statement that the Hepburn patent does teach isolating a mixing zone from the hot gas stream, at the very least raises a substantial question whether, in light of Hepburn, the Hawkins invention would have been obvious. Of course, "reexamination proceedings and court actions involving challenges to validity [are] distinct and independent ...." *In re Etter*, 756 F.2d 852, 857, 225 USPQ 1, 4 (Fed. Cir.), *cert. denied*, 474 U.S. 828 (1985); *see Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 USPQ2d 1152, 1155-56 (Fed. Cir. 1988).

Gencor, in addition, may prevail in the appeal without showing that the judgment must be reversed if it shows that the district court abused its discretion in denying its motion for a new trial. An order vacating the judgment would be success on the merits of the appeal. In this connection, Gencor argues that the admission of certain evidence was improper and prejudicial

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37 C.F.R. § 1.11(d) (1989) ("All papers or copies thereof relating to a reexamination proceeding which have been entered of record in the patent or reexamination file are open to inspection by the general public . . . .").

to its case before the jury. Gencor also asserts that the action by the PTO in withdrawing approval of a certificate of correction, and in *sua sponte* ordering reexamination, is newly discovered evidence within the meaning of Federal Rule of Civil Procedure 60(b). These facts, which are not controverted, raise serious questions of law which could necessitate a new trial.

In assessing Gencor's basis for asserting it will prevail on the merits of the appeal, we determine that whether or not applicant has shown a strong likelihood of success, it has demonstrated not only a "fair" or "better than negligible chance" of succeeding on the issue of obviousness, but a "substantial case" on each of the asserted grounds.

With regard to the equities, Gencor alleges, and the affidavits of both its Executive Vice President and independent accountant corroborate, that without a stay it is likely to suffer irreparable harm in the form of employee layoffs, immediate insolvency, and, possibly, extinction. Standard Havens argues, however, that *Windsurfing International, Inc. v. AMF, Inc.*, 782 F.2d 995, 228 USPQ 562 (Fed. Cir.), *cert. denied*, 477 U.S. 905 (1986), precludes a stay in this case. There our court said "[o]ne who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected." *Id.* at 1003 n. 12. Standard Havens' reliance on *Windsurfing is* misplaced. *Windsurfing* involved the improper denial of an injunction, not a stay pending appeal. In that case we held that the district court abused its discretion in refusing to enjoin one infringer, despite having granted injunctions as to all other infringers, giving as its sole reason the small size of the former's business. *Id.* at 1003. Certainly, *Windsurfing* does not overcome the equities of a case. Nor can *Windsurfing* be applied mechanically. If it were, no stay pending appeal could ever issue in an infringement case. Yet such stays must be available under Rule 8(a) of the Federal Rules

of Appellate Procedure because neither it nor case authority excludes infringement cases.

If Standard Havens does not prevail on appeal, then Gencor's bankruptcy will be for naught. On the other hand, because of Gencor's shaky financial condition, already encumbered physical assets, and failure to obtain even a partial bond, Standard Havens alleges that its capability to execute its judgment will seriously erode during the pendency of the appeal if a stay is granted. But Standard Havens already stands behind various secured creditors and therefore may not have a realistic likelihood of fully executing its judgement even now. It is speculative, moreover, that Standard Havens' prospects for recovery of the full judgment will further diminish substantially with a stay. Nor has any showing been made, or claim asserted, of non-compensable injury such as lost market share. *See Atlas Powder Co. v. Ireco Chem.*, 773 F.2d 1230, 1233, 227 USPQ 289, 292 (Fed. Cir. 1985) (Statute allows injunctive relief "to preserve the legal interests of the parties against future infringement which may have market effects never fully compensable in money."). We can discern there may be some risk of not being able to collect the damages assessed, but neither its probability nor impact can be quantified. Although at a hearing held pursuant to our earlier order, the district court made certain predictions, including that a distress sale, Gencor's physical assets would likely draw far less than their estimated value, no evidentiary record was made to support such predictions.[4] We note, too, that Gencor is proposing that it be subjected to certain financial restrictions and obligations during the pendency of the

[4] "In a distressed sale situation, the alleged equity would likely not be realized thus minimizing if not eliminating any security that it would otherwise provide." Order, *Standard Havens Prods. v. Gencor Indus., Inc.*, No. 88-1209, CV-W-3, at 3 (W.D. Mo. Dec. 1, 1989). While counsel filed informational letters, they cannot and do not support the predictions as if they were findings of fact based on record evidence. Hence, we see no need to consider whether the predictions have been shown by Gencor to be clearly erroneous.

appeal. Although the restrictions and obligations in no way approach guarantees, they are not insubstantial.

Each party argues that the fourth factor—public interest—favors its position. Neither has been very convincing on this point, however, and their arguments essentially negate one another. Thus, we determine that the fourth factor favors neither party.

CONCLUSION

We view whether a stay pending disposition of this appeal should issue as not only complex and controverted but also a close question. On balance, however, we determine that Gencor's motion should be granted. Gencor has shown a substantial legal question exists regarding validity and that it has a substantial chance of prevailing when our court decides this appeal.[5] The balance of harms clearly tips in its favor. Standard Havens' harm is speculative and in any event cannot threaten its viability. On the other hand, a substantial amount of relevant record evidence indicates that Gencor's reasonably expected harm would be both catastrophic and irreparable. Without a stay, Gencor may well cease to exist.

Accordingly,

IT IS ORDERED THAT:

(1) Gencor's renewed motion for a stay pending appeal is granted, subject to fulfillment of the conditions set forth in (3) and (4) below.

(2) All other motions for leave to file supplemental oppositions or responses are denied.

(3) In accordance with Gencor's proposed restrictions:

(a) Gencor is enjoined against disposition of its assets, as set forth in paragraph 7 of the district court's August 8, 1989, order.

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[5] Of course, nothing said or decided by the motions panel regarding the stay has any effect whatsoever on the later merits decision by the merits panel.

(b) A security interest in all of the physical assets of Gencor, subservient only to Gencor's existing secured creditors, is granted to Standard Havens to secure payment of the judgment rendered by the district court on August 8, 1989, which judgment included:

> $5,931,000.00 with prejudgment interest from November 29, 1988 at a rate of 8.5% on the patent claims;
>
> $2,284,000.00 on the contract claim;
>
> costs incurred by Standard Havens;
>
> postjudgment interest on the two judgment awards and the costs at the statutory rate; and any court-awarded royalties for infringing sales after the date of the judgment with interest.

(4) Gencor shall establish an escrow account[6] to which it shall contribute $50,000.00 for each drying unit of the type adjudged at trial to infringe the patent-in-suit that is sold during the pendency of the appeal.

FOR THE COURT

/s/
Paul R. Michel
Circuit Judge

22 Feb 90
Date

[6] Gencor proposed contributing $40,000.00 to an escrow account for each drying unit, adjudged at trial to infringe, sold, based on estimated net profits. We, however, decline to impose Gencor's figure and instead set the escrow amount at $50,000.00, which is within the $48,000.00 to $75,000.00 range proposed by Standard Havens as the minimum "reasonable royalty."

90-1048

United States Court of Appeals

for the Federal Circuit

NOTE:
Pursuant to Fed. Cir. R. 47.8, this order is not citable as precedent. It is public record.

STANDARD HAVENS PRODUCTS, INC.,
Plaintiff-Appellee,

v.

GENCOR INDUSTRIES, INC.,
Defendant-Appellant.

ORDER

Before ARCHER, Circuit Judge, MICHEL, Circuit Judge, SENTER,.

A petition for rehearing having been filed in this case, UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on February 19, 1992.

FOR THE COURT,

/s/_____
Francis X. Gindhart
Clerk

Dated: February 12, 1992

cc: Donald R. Dunner
Edmund J. Sease

STANDARD HAVENS V GENCOR IND, 90-1048
(DCT - 88-1209-W-3)

90-1048

United States Court of Appeals

for the Federal Circuit

NOTE:
Pursuant to Fed. Cir. R. 47.8, this order is not citable as precedent. It is public record.

STANDARD HAVENS PRODUCTS, INC.,
Plaintiff-Appellee,

v.

GENCOR INDUSTRIES, INC.,
Defendant-Appellant.

ORDER

A suggestion for rehearing in banc having been filed in this case, and a response thereto having been invited by the court and filed,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, declined.

FOR THE COURT,

/s/_____
Francis X. Gindhart
Clerk

Dated: March 20, 1992
cc: Donald R. Dunner
Edmund J. Sease

STANDARD HAVENS V GENCOR IND, 90-1048
DCT - 88-1209-W-3

No. 88-1209-CV-W-3

In The United States District Court

for the Western District of Missouri
Western Division

STANDARD HAVENS PRODUCTS, INC.,
Plaintiff,

v.

GENCOR INDUSTRIES, INC.,
Defendant.

MEMORANDUM AND ORDER

Before the Court is defendant Gencor Industries, Inc.'s (hereinafter "Gencor") Motion for Judgment Notwithstanding the Verdict or, in the Alternative, for a New Trial. This case is a patent and breach of contract action tried to a jury. The jury returned a special verdict form which found in favor of the plaintiff on both counts.

The patent at issue is the Hawkins patent, No. 4,787,938, issued November 29, 1988, and assigned to plaintiff, Standard Havens, Inc. (hereinafter "Standard Havens"). The patent consists of four claims:

> (1) a method for continuously producing an asphaltic composition from asphalt and aggregates, the steps of said method comprising:
>
> introducing aggregate material interiorally of a first end of an inclined, horizontal rotating drum to flow generally from said first end to the second end of said drum;

generating a hot gas stream within said drum to flow through said drum to said first end in countercurrent relation to said aggregate material; isolating a zone of said rotating drum from said hot gas stream;

delivering said heated and dried aggregate material to said zone isolated from hot gas stream;

mixing said aggregate material with liquid asphalt within said zone isolated from said hot gas stream to produce an asphaltic composition; and

discharging said asphaltic composition from said rotating drum.

(2) the method is set forth in claim 1, including the step of adding recycle asphalt material directly to said zone isolated from said hot gas stream

(3) the method as set forth in claim 1, including the steps of creating a curtain of falling aggregate material within said rotating drum and flowing said hot gas stream through said curtain of falling aggregate material.

(4) the method as set forth in claim 1, including the step of blending a fine binder material with the said liquid asphalt and aggregate material within said zone isolated from hot gas stream.

The plaintiff originally brought this action seeking redress for breach of contract and misappropriation of trade secrets. Over plaintiff's objection defendant counterclaimed seeking a declaratory judgment that the Hawkins patent was invalid. In response to this counterclaim, the plaintiff charged that a competing product produced by Gencor infringes upon the Hawkins patent.

No dispositive motions were filed by either Standard Havens or Gencor. Trial was held between June 5 and 26, 1989.

In its answers to the special verdict form the jury found that none of the four claims of the Hawkins patent were anticipated or obvious, that Gencor had contributed to and induced the infringement of the Hawkins patent and that Standard Havens had been damaged by that infringement in the amount of $5,931,000. With regard to the breach of contract claim, the jury found that a valid contract existed between Standard Havens and Gencor and that Standard Havens had fulfilled its obligations under the contract but that Gencor had not. The jury found that Standard Havens was damaged in the amount of $2,284,000 by the breach of contract.

Understandably, the defendant has filed a lengthy motion and is waging a broad based attack on the jury's verdict. In addition to the motion for judgment notwithstanding the verdict or for a new trial, the defendant has also moved that the proceedings before this Court be stayed entirely pending the disposition of a reexamination proceeding currently being carried out by the patent office at the defendant's instigation.

I. The Motion for Judgment Notwithstanding the Verdict on Patent Issues

The defendant has asked that the Court overturn the jury verdict on all of the issues presented in this case. "In deciding a duly filed motion for judgment N.O.V. upon a jury's determination that a patent is valid (i.e., has not been proven invalid), the district court must determine, without substituting its views for those of the jury when resolving conflicts in the evidence, whether in light of the evidence reasonable persons could have found the facts necessary to support the jury's verdict, or whether the facts properly found can in law support the verdict. *Weinar v. Ruleform, Inc.*, 744 F.2d 797, 805 (Fed. Cir. 1984)." *Shatterproof Glass Corp. v. Libby-Owens Ford Co.*, 758 F.2d 613, 618 (Fed. Cir.) *cert. dismissed* 474 U.S. 976, 106 S. Ct. 340, 88 L.Ed.2d 326 (1985). *See also Railroad, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1515 (Fed. Cir.) *cert. denied*, 469 U.S. 871,

105 S. Ct. 220, 83 L.Ed.2d 150 (1984). With regard to defendant's attack on the jury's findings of nonanticipation, nonobviousness, and inventorship, it should be remembered that the defendant was required to prove these elements by clear and convincing evidence. Obviously, that standard is not altered by the presentation of these issues in the form of a motion for a judgment notwithstanding the verdict. In ruling on a judgment notwithstanding the verdict motion it is unnecessary and inefficient for the trial court to enter new findings of fact which attempt to explain the jury's verdict. Rather, the court is to apply the aforementioned standard and determine whether the outcome reached is supportable by the evidence produced at trial. *Glaros v. H. H. Robertson Co.*, 797 F.2d 1564, 1567 n.4 (Fed. Cir. 1986) *cert. dismissed*, 479 U.S. 1072, 107 S. Ct. 1262, 99 L.Ed.2d 124 (1987). In light of these very high standards the Court will consider defendant's arguments.[1]

A. Inventorship

Gencor's motion raises the issue that "Mr. Hawkins did not invent the subject matter patented." Unfortunately, the defendant fails to argue this issue in its brief. At trial, there was conflicting evidence and a great deal of argument with regard to this issue. Mr. Hawkins testified to, and was cross-examined at length, on his claim of inventorship. Unlike the defendant's witnesses on this issue, Mr. Hawkins was not successfully impeached with regard to either his general credibility or his credibility with regard to this particular claim. The inventor's testimony, and the lack of credible rebuttal evidence, provides a substantial evidentiary basis for the jury's rejection of defendant's argument. Therefore, the Court finds that the defendant's unbriefed motion with regard to inventorship is wholly without merit.

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[1] Defendant has also moved that the jury's finding of willful infringement be overturned. In its Order filed August 8, 1989, the Court determined that no increase in patent damages was warranted despite the finding of willfulness. Therefore, the motion for judgment notwithstanding the verdict on the issue of willfulness is moot.

B. Anticipation

The jury was instructed at length on the issue of anticipation. In special verdict No. 1 the jury was asked whether the defendant had proved by clear and convincing evidence that any claim of the Hawkins patent is invalid due to anticipation. The jury responded in the negative with regard to each of the claim of the Hawkins patent. Defendant now argues that this verdict was not supported by the evidence and that a reasonable jury could not have found that the Hawkins patent was not anticipated.

A patent is invalid for anticipation only where it is shown by clear and convincing evidence that each element of the invention can be found in a single citation of prior art. The presence or absence of an anticipatory prior art reference is a question of fact for the jury. *Shatterproof Glass Corp., supra*, 758 F.2d at 619.

The jury was instructed both as to anticipation generally and to anticipation with regard to the specific references argued by the defendant. The defendant concedes that the jury was properly instructed. Defendant now attempts to reargue its case with regard to the Hepburn patents, U.S. Patent Nos. 1,774,649 and 1,836,754, issued in 1930 and 1931 respectively. During trial the bulk of defendant's proof on the issues of anticipation and obviousness centered on the Hepburn patents. The Hepburn patents, concerning a process and device for producing asphaltic compounds, teach a method of heating and mixing the raw materials in a rotating drum in which the burner is introduced from the rear of the drum to a point approximately in the middle of the drum. However, unlike the Hawkins process the airstream supplying the burner flows unrestricted through the missing zone. The plaintiff's expert witnesses testified to several means by which the Hepburn patents could be distinguished from the Hawkins patent. Thus, the Court cannot now conclude that a reasonable jury must have necessarily found that the defendant

proved by clear and convincing evidence that the Hepburn patents anticipate the Hawkins patent. Thus, defendant's motion for judgment notwithstanding the verdict on this ground must be denied.

C. Obviousness

As stated in 35 U.S.C. § 103 the patent is invalid for obviousness if it is shown that "the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." The question of obviousness is a mixed question of law and fact and may be submitted to a jury upon proper instruction. *Railroad Dynamics, Inc., supra*, 727 F.2d at 514-15. *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1546-47 (Fed. Cir. 1983). Instructions No. 17 and 18 mirror the language used in *Graham v. John Deere Co.*, 383 U.S. 1, 86 S. Ct. 684, 15 L.Ed.2d 545 (1966). The defendant does not contest the adequacy of the instructions to the jury on the issue of obviousness. In special verdict answer No. 2 the jury found that defendant had not proved any of the claims in Hawkins to be invalid for obviousness.

Defendant, in its motion for judgment notwithstanding the verdict urges the Court to find that the verdict is unsupportable by the evidence produced at trial. Defendant claims that the Hawkins patent must be found to be obvious in light of the Hepburn patents discussed above and the Heap patent. Bearing in mind the defendant's burden of proof and the deference due to a finding by the jury, the Court cannot conclude that reasonable people could not have reached the decision made upon the evidence produced at trial. There was a great deal of expert testimony presented on both sides of this issue. Plaintiff's experts testified that the Hepburn patents did not present a workable machine in that it was subject to a tremendous risk of

fire or explosion and would produce unacceptable amounts of airborne emissions. Further, there was testimony that the Hepburn patents produced an entirely different result than the Hawkins patent, that result being a cooler, rather than a hotter, finished product.

Defendant attempts to strengthen its argument for a finding of obviousness by adding to the Hepburn patents the teaching of the Heap patent. The Heap patent concerns a parallel flow drum mixer which was produced by the plaintiff as a forerunner of the counterflow drum mixer produced from the Hawkins patent. The combination of the Hepburn and Heap patents does indeed create a process bearing some resemblance to that created from the Hawkins patent. However, nothing in either of those patents or in the defendant's other evidence indicates that such a combination is suggested by the prior art. The defendant's argument is based upon a hindsight analysis of the prior art and is therefore neither persuasive nor useful in the determination of obviousness. "When prior art references require selective combination by the court to render obvious a subsequent invention, there must be some reason for the combination other than the hindsight gleamed from the invention itself." *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1051 (Fed. Cir.) *cert. denied*, ___ U.S. ___, 109 S. Ct. 75, ___ L.Ed.2d ___ (1988). quoting from *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132 at 1143 (Fed. Cir. 1985). Assuming, as the Court must, that the jury followed the instructions given to it the Court finds that there was evidence by which a reasonable jury could find that defendant failed to prove its claim of obviousness by clear and convincing evidence. Therefore, defendant's motion for judgment withstanding the verdict on the issue of obviousness must be denied.

D. Infringement

The jury found that the defendant had both contributed to and induced the infringement of all four claims of the defendant's patent. Infringement is a question of fact for the jury

and must be proven by the patent holder by a preponderance of the evidence. *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753 (Fed. Cir. 1984).

There was substantial testimony at trial concerning the infringement of the Hawkins method patent by the defendant's counterflow drum mixer. The jury was instructed on both literal infringement and the doctrine of equivalence, including reverse equivalence as a defense of the charge of infringement.

The defendant now argues that a reasonable jury could not have found infringement in that the defendant's product achieves its result through a substantially different method than taught by Hawkins. The defendant's argument, a reiteration of that presented to the jury, is that its product employs an additional bulkhead wall, a scavenger fan and a manifold assembly by which the "isolation zone" of the Hawkins patent is further sealed in the defendant's mixer. The plaintiff's expert witness Pravel explained that this more complete isolation produced a diminished return over the degree of isolation achieved by the Hawkins method and did not substantially modify or improve upon the method taught by Hawkin. Indeed, there was no objective evidence at trial that the defendant's mixer produced a superior result to that achieved by the Hawkins method under applicable industry standards. In finding infringement, the jury apparently found Mr. Pravel's testimony to be more credible than that of defendant's expert witnesses who attempted to distinguish the processes. The defendant has not carried its burden of showing that the verdict could not have been reached by reasonable people. Therefore, defendant's motion for judgment notwithstanding the verdict on the issue of infringement is denied.

E. Damages

The jury returned a verdict finding that the plaintiff's damages on the patent issues were $5,931,000. The defendant now argues that this amount is unsupported by the evidence at

trial and that Gencor is entitled to a judgment notwithstanding the verdict or a new trial. The defendant's argument largely consists of a reiteration of the points it attempted to make during cross-examination and through its own experts regarding the sufficiency of plaintiff's expert's calculations. Most of this argument is based on speculation as to how the jury arrived at their final award, that award being in between the figures presented by plaintiff's and defendant's expert witnesses.

It has been stated that "the determination of a damage award is not an exact science and 'the amount need not be proved with unerring precision.'" *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1327 (Fed. Cir. 1987) quoting from *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604, 616 (Fed. Cir.) *cert. denied*, 469 U.S. 1038, 105 S. Ct. 516, 83 L.Ed.2d 405 (1984). Both sides' damage calculations took into account variable factors and assumptions vigorously contested by the opponent. Upon review of the record and the testimony presented, the Court finds that there is substantial evidence to allow reasonable people to reach the conclusion reached by the jury in this case. There is no indication in the record that the amount of verdict is the result of passion or prejudice against the defendant. Therefore, defendant's motion for judgment notwithstanding the verdict with regard to the patent damages is denied.

II. Breach of Contract

Defendant has also moved for judgment notwithstanding the verdict with regard to the jury's finding that a valid contract existed between Standard Havens and Gencor, that Gencor breached that contract and the amount of Standard Havens' damages due to that breach. The contract sued upon is a nondisclosure agreement for consulting and technical services dated May 13, 1986. The evidence at trial was that the plaintiff contacted General Combustion Corporation, a wholly owned subsidiary of Gencor to obtain consulting services in the design

and manufacture of a burner for plaintiff's proposed counterflow asphalt plant based upon the method described in the Hawkins patent. The nondisclosure agreement requires that the seller is to maintain as confidential and not to disclose or otherwise make use of information obtained from the buyer.

At trial it was plaintiff's contention, which the jury agreed with, that defendant Gencor had misappropriated information gained pursuant to the consulting agreement in the design and production of its counterflow asphalt plant.

A. Privity of Contract

Defendant's first argument is that Gencor cannot be held liable for a breach of the contract in that there is indication on the contract that Gencor was a party to that contract. The evidence of the contract at issue consists of a purchase order from Standard Havens to General Combustion Corporation and a nondisclosure agreement signed by E. J. Elliott.[2] The nondisclosure agreement does not name the seller as either General Combustion or Gencor and Mr. Elliott's signature appears on the contract without a designation of corporate capacity. The evidence at trial was that Mr. Elliott is the chairman of both General Combustion, Inc., and Gencor. The evidence at trial also showed that pursuant to the contract the plaintiff released information about its design to Mr. David Brashears, an officer of both General Combustion and Gencor. Defendant now argues that Gencor cannot be held liable for breach of the contract in the absence of privity in that General Combustion was a completely separate, although wholly owned, subsidiary of Gencor Industries and that all corporate formalities had been observed. This argument, supported by the testimony of Mr. Elliott and Mr. Brashears, was placed before the jury and the defendant strenuously argued this point. Plaintiff presented evidence

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[2] Mr. Elliott was originally named as a defendant to the contract and misappropriation counts of the complaint. No verdict was rendered with regard to Mr. Elliott. See *infra*, note 4.

which showed that Mr. Elliott exerted virtually complete control over the actions of both companies and that Gencor presented itself to the public as a unitary operation including all of its wholly owned subsidiaries.

Under Missouri law a parent corporation is normally not liable for the wrongs of its wholly owned subsidiaries; the corporations are to be treated as distinct legal entities for all purposes. *Blum v. Airport Terminal Services, Inc.*, 762 S.W.2d 67, 72 (Mo. App. 1988). An exception exists where two corporations under the same ownership or control are being manipulated through their interrelationship to cause illegality, fraud, or injustice. In order to pierce the corporate veil it must be shown first that the corporations are controlled and influenced by the same persons or corporation; and second, that the corporate cloak was used as a subterfuge to defeat public convenience, to justify a wrong or to perpetrate a fraud. *Terre Du Lac Association v. Terre Du Lac, inc.*, 737 S.W. 2d 206 (Mo. App. 1987); *Pasta House Co. v. Miller*, 691 S.W. 2d 460 (Mo. App. 1985); *Fairbanks v. Chambers*, 665 S.W. 2d 33 (Mo. App. 1984).

Viewing the evidence in the light most favorable to the plaintiff, the Court believes that the jury's verdict is not contrary to the law. First, the evidence clearly established that Mr. Elliott exercised almost absolute control over both corporations. Second, as apparently found by the jury, through the use of separate corporate entities for General Combustion and Gencor, the defendant was able to misappropriate the plaintiff's technology by virtue of plaintiff's contacts with General Combustion and then to make use of that misappropriation through the production capacity of Gencor. Thus, this is precisely the situation the aforementioned rule is directed towards. Faced with this situation, the Court must, as a matter of equity, disregard the corporate manipulations which separate General Combustion, Inc. from Gencor. *Pasta House Co. v. Miller, supra.* Therefore,

the Court finds that Gencor can properly be held liable for the breach of the nondisclosure agreements.

B. Breach of Contract

Defendant also argues that plaintiff presented insufficient evidence to support a jury finding that the defendant had breached the non-disclosure agreement. In support of this contention, the defendant cites the testimony of its own witnesses, Mr. Elliott and Mr. Brashears, to the effect that Mr. Brashears at no time disclosed the information he had received from Standard Havens and that Gencor's counterflow asphalt plant was the product of independent development on the part of its engineers. The defendant's argument fails to mention the evidence which shows that Gencor was not working on a counterflow plant of the same configuration as that planned by the plaintiff prior to the time Mr. Brashears met with plaintiff's engineers under the nondisclosure agreement or that after disclosure at Mr. Elliott's direction the engineers at Gencor dropped their current line of research and development in favor of plant configuration virtually identical to that of the plaintiff. The defendant's argument also fails to take into account that there were serious questions raised with regard to Mr. Elliott's and Mr. Brashear's credibility during cross examination.

The questionable credibility and the witnesses' demeanor on the stand were a sufficient basis for the jury to not believe defendant's version of the facts. The plaintiff's circumstantial evidence was sufficient to support a jury finding that the defendant's had in fact employed the technology received from Standard Havens. Because there was sufficient evidence to support submission of this question to the jury, the Court is not now at liberty to overturn the jury's finding that the contract was indeed breached, even were the Court inclined to do so. Therefore, defendant's for a judgment notwithstanding the verdict on the issue of breach of the contract must be denied.

C. Contract Damages

Defendant also argues that the contract damages awarded by the jury were not supported by substantial evidence. As was the case with plaintiff's patent damages, the plaintiff and defendant submitted, through their expert witneses, vastly divergent computations and rationales for the correct amount of damages. Both sides did a thorough job of presenting their evidence and attempting to discredit the other side's expert witnesses' calculations. At this point of the proceedings, neither the court nor the parties can identify how the jury's calculations were made. However, upon review of the record the Court finds that the evidence presented by plaintiff did provide a rational basis by which the jury could ascertain the amount profits lost by the plaintiff as a direct result of the breach of the nondisclosure agreement. *Gasser v. John Knox Village*, 761 S.W.2d 728 (Mo. App. 1988). Therefore, the defendant's motion for judgment notwithstanding the verdict on the issue of contract damages must be denied.

III. Motion for a New Trial

A. Instructional Error

Defendant has also moved for a new trial on the basis of several perceived errors in the instructions given to the jury.

1. Instructions 7 and 9

In instruction No. 7 the Court instructed the jury with regard to the defendant's burden of showing patent invalidity by clear and convincing evidence. The instruction read, in part, "by stricter burden, I mean that clear and convincing evidence involves a greater persuasion that that which might satisfy a preponderance of the evidence standard. For purposes of evaluating the evidence introduced, clear and convincing evidence must produce in your minds a firm belief or conviction as to the matters sought to be established. You must be firmly

convinced that the fact is indeed true in order to meet the clear and convincing burden."

In instruction No. 8 the Court instructed the jury as to the presumption of validity that rests with every claim in the patent. In Instruction No. 9 the court stated, "in deciding whether the defendant's have met their burden of clear and convincing evidence in attempting to overcome the presumption of patent validity, you must find that the witness' testimony in support of such evidence is credible. The facts to which they have testified must have been distinctly remembered, and the details of that testimony narrated and in due order. Their testimony must have been clear, direct and weighty so as to enable you to come to a clear conviction as to the truth of the precise facts in issue. All evidence admitted during this trial, including documentary evidence, must also be considered. The presumption of validity is not overcome unless you are clearly convinced that clear and convincing evidence dictates a contrary conclusion."

The defendant now argues that instructions 7 and 9 are conflicting, that they instruct the jury on different definitions of clear and convincing evidence and that instructions 7 and 9 are redundant with the result that defendant's burden of proving invalidity by clear and convincing evidence was improperly emphasized to the jury. The Court finds defendant's argument on this point to be without merit. Although the two instructions do express the clear and convincing evidence standard in different terms the Court does not believe that either statement is contrary to law nor is the language used contradictory or confusing.

Further, the Court does not find that instructions 7, 8 and 9 improperly emphasizes the defendant's burden of proof in this case. The sequence of instructions advises the jury on the clear and convincing evidence standard, the presumption of patent validity, and the relationship between the two concepts. These concepts are at the core of the statutory scheme of patent

litigation. The Court does not believe that the concepts are unduly emphasized where discussed in three out of 51 instructions. *See generally Jamesbury Corp. v. Litton Industrial Products, Inc.*, 756 F.2d 1556 (Fed. Cir. 1985). Defendant's point is without merit.

2. Instructions 39, 40 and 42

Defendant also attacks instructions 39 and 40, which concerned causation and damages, as being cumulative and prejudicial. Instruction No. 39 instructs the jury on the four part showing of lost profit damages as put forth in *Paper Converting Machine Co. v. Magna-Graphics Corp.*, 745 F.2d 11 (Fed. Cir. 1984). Instruction No. 40 discusses causation in terms of "but for" the infringement the patentholder would have made the sales. Instruction No. 40 further advises the jury that causation requires only a reasonable probability that the sale would have been made but for the infringement. The Court does not view the giving of these two instructions as error. Contrary to defendant's assertions instruction No. 40 clarifies rather than contradicts this standard put forth in instruction No. 39. The Court does not find that the inclusion of two instructions on this issue worked any prejudice to the defendant.

Defendant also attacks instruction No. 42 which follows the language from the case of *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056 (Fed. Cir. 1983) that "any adverse consequence must rest on the infringer where the inability to a certain loss profits is due to the infringer's own failure to keep accurate and complete records." This instruction was requested in light of defendant's attacks on the basis of plaintiff's damage calculations. As in its brief on this motion, at trial the defendant attempted to discredit plaintiff's expert on damages by emphasizing the lack of foundation for his assumptions. Instruction No. 42 simply advised the jury, correctly, to view this argument in light of the availability of documentation of the infringer's profits. The testimony of both side's witnesses raised some

question with regard to the bookkeeping practices of the defendant. Therefore, the giving of instruction No. 42 was not error.

B. The Erroneous Special Verdict Form

At the request of the Court, plaintiff's counsel prepared copies of the jury instructions and a special verdict form to be given to the jury in deliberations. Due to a clerical error the verdict form originally submitted to the jury included as question 7 the following: "Do you find that defendant E. J. Elliott was the alter-ego or the motivating, driving force who directed and controlled the actions of defendant Gencor so that this verdict on the patent issue shall be applicable to both defendants Gencor and E. J. Elliott with equal force?"

At the close of all the evidence the Court denied plaintiff's motion to amend its complaint so as to include defendant Elliott as a defendant on the patent issues. Thus, the submission of special verdict question 7 was erroneous. The error was discovered before noon on the first day of jury deliberations. At that time Judge Dean Whipple[3] denied Gencor's request for a mistrial and read to the jury a curative instruction advising them in no uncertain terms that defendant Elliott was not to be considered a defendant with regard to the patent issues. The jury was also told to disregard question No. 7 and provided a correct special verdict form. The Court believes that the error in the submission of question No. 7 was fully cured by the instruction expressly revoking that question. Further, the defendant has not shown how it could have been prejudiced by the submission of question No. 7 in that defendant Gencor was the named defendant in the infringement action and no verdict whatsoever was returned with regard to Mr. Elliott on either the patent or contract

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[3] Due to a long-standing commitment, the author was required to be absent for one day following submission of this case to the jury. Judge Dean Whipple of this district kindly made himself available as needed during the first day of deliberations.

issues.[4] The Court finds defendant's motion for a mistrial based upon the erroneous special verdict question No. 7 to be completely without merit.

C. Exhibit 496

Defendant urges that a new trial is required due to the Court's "error" in the receipt of plaintiff's exhibit No. 496. Plaintiff's Exhibit 496 is a certificate of correction approved by the patent office on June 5, 1989. The certificate of correction adds to the list of references cited in the Hawkins patent 12 United States patents and three other references. The addition includes the Hepburn patents discussed earlier. The defendant points out that after a verdict was rendered in this case, the Commissioner of Patents, acting upon a petition by defense counsel, ordered that the approval of the certificate of correction be withdrawn.

At the point in trial in which plaintiff's exhibit 496 was offered, defendant's expert witness had expressed his opinion that several of the most important references, including Hepburn, had not been considered by the patent examiner. The plaintiff introduced the certificate of correction in contradiction of defendant's expert testimony. At the time the certificate of correction was offered into evidence, it was a public document under seal and of unquestionable relevance to the instant suit. Therefore the Court does not believe that there was error in the admission of the document.

The defendant also contends that the Court committed error requiring the grant of a new trial when it refused to admit a petition to the deputy assistant commissioner of the patent office dated June 8, 1989. That petition, signed by defense counsel in this case, requests that the deputy assistant commissioner deny

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[4] Although named as a defendant on the contract claim, plaintiff's counsel failed to include Mr. Elliott in the special verdict form questions regarding the contract. Therefore, neither verdict nor judgment was rendered against Elliott personally.

or withdraw the approval of the aforementioned certificate of correction. The defendant's petition, unlike the certificate of correction, is not an official public document of the patent office. Rather, the petition consists of counsel's opinion regarding the certificate of correction and counsel's conjecture as to what may have occurred during the patent examination. Further, the petition filed by defense counsel discusses the proceedings before this Court including the possible effect of the certificate of correction upon the jury. The Court believes that it would have been grossly improper and prejudicial to the plaintiff to allow the unsupported statements of defense counsel to be entered into the record simply because the statements were in the form of a petition to the deputy assistant commissioner of patents. Defendant also argues that a new trial is required because the certificate of correction was vacated by the patent office after the conclusion of trial. As will be discussed in the next and final portion of this opinion, there is currently pending in the patent office a reexamination proceeding which will address the controversy regarding the issuance of the certificate of correction. In the absence of a final ruling on this issue by the patent office, the pending proceeding with regard to the certificate of correction does not yet rise to the level of "new evidence" as would justify that the judgment be vacated under Fed. R. Civ. P. 60. Therefore, defendant's motion for a new trial on this ground is denied.

IV. The Reexamination Proceeding

Defendant's final contention regarding his motion for a new trial concerns events in the patent office subsequent to the return of a verdict in this case. On July 12, 1989, the Commissioner of Patents and Trademarks issued a Commissioner initiated order for reexamination pursuant to 35 U.S.C. 303(a).[5]

[5] The reexamination order was issued *sua sponte* within the meaning of the statute. However, the matter was brought to the commissioner's attention by defendant's Washington D.C. counsel. A partner in that firm also served as defendant's expert witness on patent issues at trial.

The order for reexamination is based upon apparent discrepancies in the patent file with regard to a notation dated "8/88" showing that all 23 prior art references had been checked. The notation was apparently entered into the file during the consideration of the plaintiff's application for a certifcate of correction in June of 1989. The Commissioner also specifically notes that an apparent failure to consider the Hepburn patents presents a substantial new question regarding patentability of Hawkins.

The defendant now charges that the Hawkins patent, the certificate of correction, and the jury's verdict in this case are the product of fraud upon the patent office and this Court. Ultimately, the defendant seeks to offer the Commissioner's remarks regarding the Hepburn patents as new evidence requiring that the jury's verdict be vacated and this case be held in abeyance pending the Commissioner's decision on the order of reexamination.

The Court believes that the defendant overstates his position. Despite defendant's repeated allegations and the Commissioner's decision to reexamine the Hawkins patent there has yet to be proven a fraud upon either the Court or the patent office. This charge should not be so lightly made. *Burlington Industries, Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988).

The Court finds that the Commissioner's order for reexamination does not require, at this time, any alteration in the verdict reached by the jury. As explained in *Ethicon, Inc. v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988) the relationship between a judicial action on the issue of invalidity and a reexamination by the patent office is defined and distinguished by the differing burdens of proof and the effect of the disposition of the proceeding. *See Ethicon, Inc.*, 849 F.2d at 1428-29. The verdict reached in this case is that the Hawkins patent was not proven invalid by clear and convincing evidence by this defendant. This finding precludes neither an attack upon the Hawkins patent by other

parties nor reexamination by the Commissioner. That there may be an inconsistent finding in the future does not require a conclusion that there was error in either this proceeding or the reexamination. This is true in spite of the fact that the same issue, the effect of the Hepburn patents as prior art, is central to both proceedings. Because the Commissioner has yet to reach a final decision on the validity of the Hawkins patent, defendant's attempt to use the order of reexamination to nullify a full and fair jury trial is premature.

The possible outcomes in the instant situation do not dictate a need for action by this Court. *Ethicon* specifically states that this Court's finding that the Hawkins patent is not invalid does not preclude *sua sponte* reexamination by the patent office. The reexamination order having been issued there are two possible outcomes in the patent office. If it is found that the Hawkins patent is anticipated or obvious in light of the Hepburn patents, then the judgment of this Court becomes a nullity in that the Hawkins is void *ab initio*. On the other hand, if the patent office determines that the Hawkins patent was validly issued, i.e., not anticipated or obvious in light of the Hepburn patents, that decision can only be taken as a reaffirmance of the jury process in this case.

However, due to the pendency of the reexamination proceeding the Court finds it to be in the interest of justice that the judgment entered in this case, with the exception of the injunction issued in paragraph 7 of the Court's Order of August 8, 1989, be stayed for a period of 60 days wherein defendant may request that the Court of Appeals for the Federal Circuit set a bond and issue a stay of the execution of judgment and the injunction against further sales of defendant's product. Accordingly, it is hereby ORDERED

(1) that defendant's motion for judgment notwithstanding the verdict is hereby DENIED;

(2) defendant's motion for a new trial is hereby DENIED;

(3) that the stay of execution and of injunction previously entered in this case be continued for a period of 60 days from the date of this Order; and

(4) that because proceedings in this Court are now concluded, defense counsels' motion to withdraw as counsel of record is hereby granted.

IT IS SO ORDERED.

/s/
Senior U.S. District Judge

Date [September 1, 1989]

No. 88-1209-CV-W-3

In The United States District Court

for the Western District of Missouri
Western Division

STANDARD HAVENS PRODUCTS, INC.,
Plaintiff,

v.

GENCOR INDUSTRIES, INC.,
Defendant.

ORDER

Before the Court are plaintiff's Rule 60(b) motion to amend the Court's September 1, 1989 Memorandum and Order[1] and defendant's motion to vacate the judgment and stay entry of the judgment or, in the alternative, to stay the injunction and execution of the judgment pending the appeal. On October 25, 1989, during a conference in chambers at which all counsel were present, the Court heard the views of the attorneys in support of and opposition to the motions. The Court has examined the suggestions submitted in support of and in opposition to the motions.

Plaintiff requests that the Court amend it Order dated September 1, 1989, which at page 24, states: "If it is found that the Hawkins patent is anticipated or obvious in light of the Hepburn patents, then the judgment of this Court becomes a

[1] Plaintiff's Rule 60(b) motion is to amend the August 30, 1989, Memorandum and Order. The Order, however, has been superseded by an Order filed September 1, 1889, correcting typographical errors in the August 30 Order.

nullity in that the Hawkins [patent] is void *ab initio*." This statement is at best dicta and possibly erroneous and is therefore stricken.

Defendant requests that the Court vacate the judgment and to stay the entry of the judgment pending the patent office's reexamination of plaintiff's patent. The Court finds that defendant's request is meritless and must therefore be denied. In the alternative, defendant requests the Court to stay the injunction and the execution of the judgment pending defendant's appeal. The Court finds that a brief stay is appropriate and shall later issue an Order temporarily staying the injunction and execution of the judgment.

Therefore, it is hereby ORDERED that:

(1) plaintiff's Rule (60)b motion is GRANTED; and

(2) defendant's motion to vacate the judgment and stay entry of the judgment is DENIED.

IT IS SO ORDERED

/s/
SENIOR U.S. DISTRICT JUDGE

Date: October, 25, 1989

90-1048

United States Court of Appeals

for the Federal Circuit

STANDARD HAVENS PRODUCTS, INC.,
Plaintiff-Appellee,

v.

GENCOR INDUSTRIES
Defendant-Appellant.

Judgment

ON APPEAL from the
United States District Court for the
Western District of Missouri

in CASE NO(S). 88-1209-CV-W-3

This CAUSE having been heard and considered, it is
ORDERED and ADJUDGED:

AFFIRMED-IN PART, VACATED-IN-PART AND REMANDED.

Entered By Order of the Court

/s/_____
Francis X. Gindhart, Clerk

DATED DECEMBER 31, 1991

ISSUED AS A MANDATE: March 20, 1992

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office

Address: COMMISSIONER OF PATENTS AND TRADEMARKS
Washington, D.C. 22231

Reexam Control No.	Order Date	Patent Number	Patentee
90/001.807	07/10/89	4,787,938	Michael R. Hawkins

KOKJER, KIRCHER, BRADLEY
WHARTON, BOWMAN & JOHNSON
2414 COMMERCE TOWER
911 MAIN STREET
KANSAS CITY, KANSAS 64105-2074

Examiner	
Art Unit	Paper Number
115	2
Date Mailed:	
7/10/89	

COMMISSIONER INITIATED ORDER FOR REEXAMINATION

Attachments (s): ■ **PTO-892** ☐

Response Time For Patent Owner's Statement:

TWO MONTHS from date hereof. 37 CFR 1.530(b).

Notes: **If the patent owner does not file a timely statement under 37 CFR 1.530(b), reexamination will proceed in accordance with 37 CFR 1.530 (a).**

An identification of the claims, the reference relied on and the rationale supporting the decision to order reexamination is attached.

REEXAMINATION ORDER:

Pursuant to 37 CFR 1.520, reexamination is ordered. Note the attached decision.

Pursuant to 35 U.S.C. 303 (a) and 37 CFR 1.520 the Commissioner of Patents and Trademarks, *sua sponte*, has determined that the prior art patent discussed below raises a substantial new question of patentability as to claims 1-4 of U.S. Patent No. 4,787,938.

Review of Facts

1. On June 10, 1988, applicant filed a response in application Serial No. 06/879,996 (which matured into U.S. Patent No. 4,787,938). The response cited 23 prior art references including U.S. Patent 1,774,649 to Hepburn et al.

2. On August 9, 1988, the examiner allowed the application and stated the reason for allowance as being that no reference describes a zone isolated within a drum for mixing aggregate with asphalt. Likewise, no reference was believed to describe a zone for mixing a binder with aggregate away from the hot gases.

3. On November 29, 1988, application Serial No. 06/879,996 issued as U.S. Patent No. 4,787,938 containing claims 1-4.

4. The patent apparently issued with no indication whether the examiner had considered the 23 prior art references.

5. On May 17, 1989, a request for a Certificate of Correction was filed requesting that the 23 prior art references be listed on the patent.

6. On or about June 5, 1989, the examiner may have (a) marked on the June 10, 1988 response that all 23 prior art references had been checked, (b) initialed the page and (c) dated it "8/88."

7. On June 5, 1989, the Supervisory Primary Examiner (SPE) indicated that the examiner had considered the 23 prior art references.

8. On June 5, 1989, the Certificate of Correction Branch approved the request for Certificate of Correction and scheduled the certificate to issue July 4, 1989.

9. On July 3, 1989, the issuance of the Certificate of Correction on July 4, 1989 was *withdrawn*. The approval of the request for Certificate of Correction was *vacated*.

Decision

A review of the record of the patent file reveals an apparent discrepancy as to when and to what extent, if any, the examiner considered the 23 prior art references. Of these 23 references, Hepburn et al teaches a zone isolated within a rotating drum for mixing aggregate with asphalt. That zone is isolated from the hot gases produced by the burner. If the examiner "considered" the Hepburn patent during prosecution of the application which matured into the patent, the examiner apparently overlooked or did not fully appreciate those portions of Hepburn which teach (a) a zone isolated within a rotating drum for mixing aggregate with asphalt and (b) that the zone is isolated from the hot gases produced by the burner. Accordingly, even if Hepburn was "considered," the above-mentioned teaching of Hepburn nevertheless raise a substantial new question of patentability. *Compare Ex parte Chicago Rawhide Mfg. Co.*, 223 USPQ 351, 352-353 (Bd. App. 1984) (headnotes 1-3).

In view of the above, a substantial new question of patentability is raised as to claims 1-4 of U.S. Patent No. 4,787,938.

Reexamination of U.S. Patent No. 4,787,938 is ordered under 35 U.S.C. 303(a) CFR 1.520. All of the patent claims will be reexamined.

/s/James E. Denny
Deputy Assistant Commissioner for Patents

Bowman Opening

...That fan would be—if it were there, it would be blowing in this direction. Excuse me, I've got this thing incorrect. The fan is indeed down here. The point is, though, that there is no isolated mixing region. As a result of having this very large fan here, it blows air entirely up through this mixing region, clear through the drum mixer, and out. There is no isolated drum where the ingredients can be mixed out of the air stream. As a result of that, the Hepburn inventor requires that fan there because of the objectives that he is trying to accomplish. He's not trying to accomplish the same objectives that Mike Hawkins is trying to accomplish in eliminating blue-smoke, he's trying to accomplish a different set of objectives and let me go over those with you. As a result of having this fan here blowing air entirely up through the mixing zone, the product is cooled. That's exactly what Hepburn wanted it to do. Mike Hawkins, however, wanted to create a high temperature product. He didn't want to cool his product. He wanted to be able to produce a hotter product. Also, with respect to Hepburn, there would be the problem with the fan blowing air up through this mixing zone and oxidizing the product. That's a bad effect on hot mix, oxidation. If the oxygen combines with the petroleum products then it's harmful to the product that is discharged. Another reason to have the fan in Hepburn is to permit this large blast of air that comes up through the mixing section to blow the dust up through this section so that it's really well mixed. It would be like a dust fall, a dust storm, coming up through this mixing section. Mike Hawkins wanted exactly the opposite effects. He wanted to add the dust in this quiet zone where there was no air flow, so the dust wouldn't blow around, it wouldn't be picked up by a flowing gas stream and carried out. The fourth objective of the Hepburn reference for having this fan here was so that this again—Hepburn was trying to cool this product, and since he was trying to cool this product, this air blowing over this hot product would abstract heat from the product. In other words, the product would get cooler and the...

...transfer. In other words the heat from the hot gas and from the flame are taken on much more readiy by the material, and the benefit of that is it's actually a more fuel efficient method of making the material. It takes less fuel, less flame, less heat to get the desired end product temperature. So that was another of the advantages that we saw. One other advantage that is important is the mix, once it's made, had a tendency to set up or get hard as it's exposed to air. And particularly this process is called oxidation, where there's a chemical reaction between the liquid asphalt and the oxygen in the air. In conventional systems at the time where we were mixing the liquid—or doing all the mixing in the hot gas stream, a lot of air is blended in with the asphalt and of course that air has oxygen in it and there is a tendency to get oxidation. In this system, by putting the materials in an isolated zone out of the air stream and away from the flame, we don't get that same degree of oxidation, so we get a better quality material out of the system as well.

Q. Do you recall who was present at this particular meeting?

A. I recall several of the people. Bill Berk, the president of the company was there. Roger Sandberg, the vice president of sales, was there. Art Templeman who was at that time the vice president of engineering was there. Jerry Young, who was a vice president who was responsible to some extent for manufacturing at that time, among other duties, was there...

...A. Other than the fact that #301 is slightly longer, I'd say they're identical.

Q. Now you have used the word isolated in connection with describing this mixing zone throughout your testimony. Would you please explain to the jury what you mean when you say the word isolated mixing zone?

A. I mean that you do not have either primary air or secondary air supplied to the plant passing through that zone and that it is not exposed in front of the burner flame.

Q. Is the mixing zone—or is the word you used, does it relate in any way to blue smoke?

A. It relates to blue smoke to the extent that by adding an isolated mixing zone you can eliminate that blue smoke.

Q. Does heat play any part in the formation of blue smoke?

A. Yes, it does.

Q. Is the isolated mixing zone shown in Standard Havens' Magnum CF isolated from heat?

A. Yes, it is.

Q. Is the isolated mixing zone shown in Plaintiff's Exhibit #306 of the Gencor Ultraplant isolated from heat?

A. Yes, it is.

Q. Mr. Hawkins, there is a feature shown on the Gencor Ultraplant that I don't believe that you have previously referred to.

THE COURT: Members of the jury, can you hear the ...

THE COURT: Be seated, please.

CONTINUATION OF DIRECT EXAMINATION

BY MR. WHARTON:

Q. Mr. Pravel, I've put up there on the stand next to you copies of Plaintiff's Exhibits #412 and #413, the Hepburn patents, are those the patents that we've been talking about so much in this litigation?

A. Yes, sir.

Q. Did you prepare or have prepared a chart of one of the Hepburn patent drawings to assist you in your testimony here?

A. Yes. A chart of figure 1 of Hepburn 1836754 which is Plaintiff's Exhibit #413, chart—I don't know what the chart number is. The chart number is Plaintiff's Exhibit #328.

MR. WHARTON: Your honor, plaintiff would offer Plaintiff's Exhibit #328 at this time.

THE COURT: Received.

Q. Mr. Pravel, would you step down here, please. You stated earlier this morning that in your opinion the Hepburn patents did not anticipate the Hawkins method. Would you explain for the jury what your reasons are for that opinion?

A. Well, I've tried to do this with some colors so that you can tie it back with the claim more quickly. The Hepburn patent, I'll just refer to it as that—as Plaintiff's Exhibit #328 on the chart. It shows the colors which are green, red and yellow as you see on claim one of the Hawkins patent. You have green, yellow and red. Those three things are in the Hepburn patent. But you did not see any blue and that's on purpose because there is no step in the Hepburn patent that is—corresponds to the parts that are underlined with blue on claim one chart, Plaintiff's Exhibit #400. In addition on the Hepburn chart there are some orange lines which originate back here at the plan number 9 and

those orange lines are to represent the flow of the secondary air which comes from this fan and blows through the mixing zone where it joins with the hot gas stream generated by the burner which is shown as number 30 in the chart. The burner—once it gets to the burner, then that air becomes a part of the hot gas stream which is shown in red and that continues on through the drying chamber. So, because the secondary air which is applied to the burner blows through the mixing chamber where the asphalt and the aggregate are being mixed, this chamber, the mixing chamber, is not isolated from the hot gas stream shown in red. Therefore, the step of isolating a zone of said rotating drum from said hot gas stream is not present in the Hepburn patent. Therefore there is no blue, and accordingly after that where they have the step of delivering the heated and dried aggregate material, it does do that but it doesn't do it through a zone that's isolated from the hot gas stream because there isn't any such zone. Also, the purple is mixing said aggregate material with liquid asphalt. Of course it does that in here but because this is not an isolated zone, it doesn't do it within said zone isolated upon said hot gas stream to produce an asphalty composition. And the final step of discharging I've forgotten to mention that's brown and that's the product coming out and that is, of course, present.

Q. Thank you, Mr. Pravel.

A. Excuse me, I should point out one thing. I don't know whether I still have that—yes, there is a lot of similarity with respect to the Hepburn. And the Hepburn is blowing this secondary air through the mixing chamber and that's the same problem with this McConnaughay patent. It's blowing the—

THE COURT: Give the exhibit numbers would you to help me.

A. Alright, sir. I'm sorry. Plaintiff's Exhibit #328, the Hepburn, has the air from the fan blowing through the mixing zone and so does this McConnaughay patent which is shown in Plaintiff's Exhibit #326. They both are doing the same thing

and therefore neither one of them is isolating this mixing zone whereas in the Hawkins patent—in the Hawkins patent on the other hand you see all the secondary air is coming through that outside tube there and does not go through the isolated mixing zone. So, there's no flow of any of the air through that zone. That's the difference between prior art and the Hawkins' invention.

United States District Court

For The Western District Of Missouri

Civil Action No.
88-1209-CV-W-3

Standard Havens Products, Inc.

Plaintiff,

v.

Gencor Industries, Inc. and
E.J. Elliott,

Defendants.

SPECIAL VERDICT

We, the jury, duly impaneled and sworn, upon our oaths, present the following answers to the questions submitted by the court;

Patent Issues

1. Do you find that the Defendant has proved by clear and convincing evidence that any claim of Hawkins patent is invalid because the claim is anticipated by a single item of prior art?

Claim	Yes (Invalid/Anticipated)	No (Valid/Not Anticipated)
1.	_____	No
2.	_____	No
3.	_____	No
4.	_____	No

2. Do you find that the Defendant has proved by clear and convincing evidence that any claim of the Hawkins patent is

invalid because the differences between the claim and the prior art are such that the subject matter of the claim as a whole would have been obvious to one of ordinary skill in the pertinent art at the time the invention was made?

Claim	Yes (Invalid/Obvious)	No (Valid/Non-obvious)
1.	_____	No
2.	_____	No
3.	_____	No
4.	_____	No

3. Do you find by a preponderance of the evidence that the Defendant Gencor has contributed to the infringement of any claim of the Hawkins patent by selling a counterflow drum mixer asphalt plant, to a customer, knowing it to be especially made for use in infringing the Hawkins patent, and not suitable for any substantial non-infringing use?

Claim	Yes (Infringed)	No (Not Infringed)
1.	Yes	_____
2.	Yes	_____
3.	Yes	_____
4.	Yes	_____

4. Do you find that the Plaintiff has proved by a preponderance of the evidence that the Defendant Gencor induced its customers to infringe any claim of the Hawkins patent?

Claim	Yes (Infringed)	No (Not Infringed)
1.	Yes	_____
2.	Yes	_____
3.	Yes	_____
4.	Yes	_____

5. Answer the following only if you have decided that the Defendant Gencor has contributed to or induced infringement of any of the claims from Questions 3 and 4 above:

The amount of the damages that fairly compensates Plaintiff Standard Havens for infringement of the Hawkins patent is:

$5,931,000

6. If you have decided that the Defendant, Gencor has contributed to, or induced infringement of one or more of the claims above, do you find by clear and convincing evidence that Defendant's infringement was willful?

Claim	Yes (Willful)	No (Not Willful)
1.	Yes	
2.	Yes	
3.	Yes	
4.	Yes	

BREACH OF CONTRACT

7. Do you find by a preponderance of the evidence that a valid contract existed between Standard Havens Products, Inc. and Gencor Industries?

Yes: Yes No_____

8. If your answer to Question No. 7 is yes, do you find by a preponderance of the evidence that Standard Havens Products, Inc. fulfilled its obligations as set out in the contract?

Yes: Yes No_____

9. If your answer to Question No. 8 is yes, do you find by a preponderance of the evidence that Gencor Industries, Inc. fulfilled its obligations as set out in the contract?

Yes _____ No: No

10. If your answer to Questions No. 7 and 8 are yes and your answer to Question No. 9 is no, do you find by a preponderance of the evidence that Standard Havens was damaged as a result of Gencor's failure to fulfill its obligations as set out in the contract?

Yes: Yes No_____

11. If the answer to question No. 10 above is yes, what sum of money will fairly and reasonably compensate the Plaintiff for damages sustained as a result of the breach of the contract?

$2,284,000

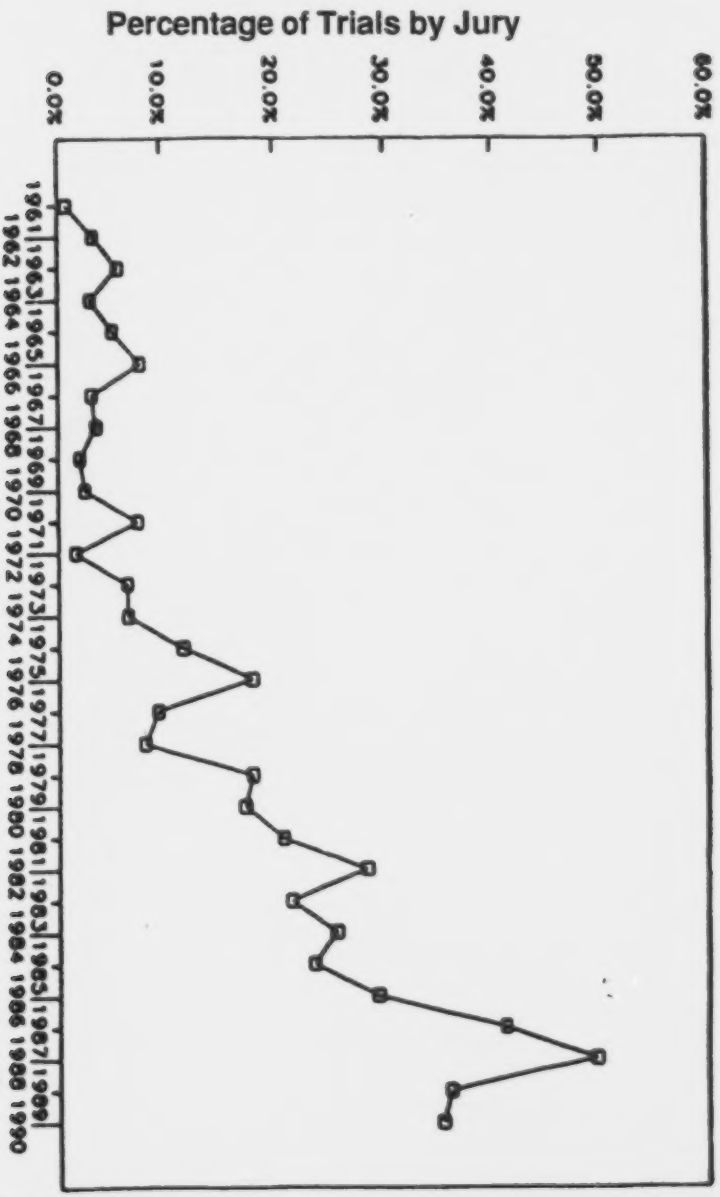
/s/Donald E. Howell
FOREPERSON
June 26, 1989
DATE

Patent Cases Terminated by U.S. District Court Action During or After Trials*

Year	Total	Non-Jury	Jury	% of Jury Trials
1961	125	124	1	0.8%
1962	117	113	4	3.4%
1963	103	97	6	5.8%
1964	129	125	4	3.1%
1965	95	90	5	5.3%
1966	126	116	10	7.9%
1967	123	119	4	3.3%
1968	108	104	4	3.7%
1969	95	93	2	2.1%
1970	116	113	3	2.6%
1971	104	96	8	7.7%
1972	123	121	2	1.6%
1973	105	98	7	6.7%
1974	89	83	6	6.7%
1975	126	111	15	11.9%
1976	84	69	15	17.9%
1977	94	85	9	9.6%
1978	84	77	7	8.3%
1979	73	60	13	17.8%
1980	99	82	17	17.2%
1981	92	73	19	20.7%
1982	106	76	30	28.3%
1983	112	88	24	21.4%
1984	90	67	23	25.6%
1985	85	65	20	23.5%
1986	89	63	26	29.2%
1987	89	52	37	41.6%
1988	108	54	54	50.0%
1989	105	67	38	36.2%
1990	96	62	34	35.4%

* Source — Administrative Office of the United States Courts, Annual Reports of the Director, Table C-4 (1961-90). Year corresponds to twelve month period ending June 30 of that year.

Percentage of Trials by Jury in Patent Cases Terminated by US District Court Action During or After Trial*



* Source — Administrative Office of the United States Courts, Annual Reports of the Director, Table C-4 (1961-90). Year corresponds to twelve month period ending June 30 of that year.

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(2)

No. 91-1808

In The

Supreme Court of the United States

October Term, 1991

GENCOR INDUSTRIES, INC.,

Petitioner,

v.

STANDARD HAVENS PRODUCTS, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the Court of Appeals for the Federal Circuit properly affirmed a general verdict finding Standard Havens' Hawkins patent valid and not anticipated by the Hepburn patent where

   (a) the district court committed no errors with regard to the evidence or jury instructions concerning anticipation;

   (b) Standard Havens presented the jury with multiple facts concerning the difference between Hepburn and Hawkins devices; and

   (c) the Court of Appeals found that certain facts that Standard Havens presented to the jury were inadequate to establish that the Hepburn patent did not anticipate the Hawkins patent, while other evidence that Standard Havens presented to the jury was adequate for that purpose?

2. Whether the present case affords this Court an appropriate opportunity to clarify the law concerning when, if ever, a general verdict should be sustained after a court of appeals has ruled that one of several theories presented to a jury is erroneous?

STATEMENT PURSUANT TO RULE 29.1

Standard Havens Products, Inc. (a Delaware corporation) is a wholly-owned subsidiary of Standard Havens, Inc. (a Delaware corporation), which is a wholly-owned subsidiary of Cedarapids, Inc. (an Iowa corporation), which is a wholly-owned subsidiary of Raytheon Company (a Massachusetts corporation).

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STATEMENT OF THE CASE

BACKGROUND

The production of asphalt involves mixing aggregate (crushed rock) with liquid asphalt. One method of production involves mixing the ingredients in a large horizontal rotating drum. The aggregate is introduced at one end of the drum. A burner located in the drum produces a stream of hot gases which heat and dry the aggregate. Liquid asphalt is mixed with the hot aggregate. The finished asphalt product is removed from the other end of the drum.

Asphalt drum mixers are categorized as "parallel flow" or "counter-flow." In a parallel flow mixer the stream of hot gases produced by the burner flows in the same direction as the ingredients. In a counter-flow mixer the hot gases and the ingredients flow in opposite directions.

A problem with drum mixers (both parallel flow and counter-flow) is the production of hazardous pollution known as "blue smoke." Blue smoke is created when liquid asphalt is exposed to very high temperatures.

THE HAWKINS PATENT

Standard Havens Products, Inc. ("Standard Havens") owns the Hawkins patent. The Hawkins patent discloses a method for making asphalt in a counter-flow drum mixer which isolates a zone in the rotating drum from the hot gas stream, delivers the hot aggregate to that isolated zone, and mixes the aggregate with liquid asphalt in that isolated zone. By isolating the mixing zone from the hot

gas stream, the Hawkins device keeps liquid asphalt away from the hot gas stream and avoids the production of blue smoke.

THE TRIAL

This case began when Standard Havens sued Gencor for breach of a confidentiality agreement that Gencor executed in connection with Gencor's work on a burner for use in a Standard Havens' asphalt plant using the method described in the Hawkins patent. Gencor counterclaimed seeking a declaratory judgment that the Hawkins patent is invalid. Standard Havens responded with a claim that Gencor contributed to and induced infringement of the Hawkins patent.

The case was tried to a jury. At trial Gencor argued that the Hepburn patent anticipated the Hawkins patent, rendering the Hawkins patent invalid. Standard Havens countered that the Hepburn patent did not anticipate the Hawkins patent because the Hepburn patent did not disclose a mixing zone isolated from the hot gas stream. Standard Havens presented evidence both

1. that the Hawkins device differed from the Hepburn device because the Hawkins device pipes air for combustion to the burner in such a manner that it bypasses the mixing zone while in the Hepburn device a fan blows air through the mixing zone on its way to the burner

and

2. that in the Hepburn device, because the fan blows air for combustion through the mixing zone on its way to the burner, liquid asphalt from the mixing zone may be blown into the hot gas stream causing the production of blue smoke.

The jury returned a verdict for Standard Havens, finding the Hawkins patent not invalid and infringed. The jury awarded Standard Havens damages of $5,931,000.[1]

The jury instructions defined the legal defense of anticipation. The jury instructions regarding anticipation indicated the possibility that the Hepburn patent might anticipate the Hawkins patent, but did not reference any specific evidence that Standard Havens presented at trial. Gencor did not object to the instructions.

The jury answered (in the negative) an interrogatory inquiring whether Gencor had "proved by clear and convincing evidence that any claim of the Hawkins patent is invalid because the claim is anticipated by a single item of prior art." The interrogatories did not mention the Hepburn patent and did not reference any specific evidence that Standard Havens presented at trial. (A1-2)

Gencor moved for judgment notwithstanding the verdict and for a new trial. Gencor argued, *inter alia*, that the Hawkins patent was invalid because the Hepburn patent anticipated the Hawkins patent. The district court denied Gencor's post-trial motions.

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[1] The jury also awarded Standard Havens $2,284,000 on its original claim that Gencor breached a confidentiality agreement.

GENCOR'S APPEAL TO THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Gencor appealed to the Court of Appeals for the Federal Circuit. On appeal, Gencor attacked the district court's refusal to grant JNOV or a new trial, again arguing that Hawkins is invalid because Hepburn anticipated Hawkins. The Court of Appeals affirmed the district court's judgment that the Hawkins patent was not invalid and was infringed.[2] With regard to the issue of whether Hepburn anticipated Hawkins, the court of appeals formulated the issue as follows:

> The claims of [Hawkins] require that in a mixing drum a zone be isolated from the hot gas stream. (From the [Hawkins] patent specification, we construe the hot gas stream to mean the hot gases in the area around the flame; it does not include the air stream passing through the tube surrounding the burner, leading into the flame and hot gas area.) The claims further require that, in the "isolated" zone, aggregate and liquid asphalt are mixed so as to produce an asphaltic composition to be discharged from the drum. In that context, the critical question for resolving whether JNOV was properly denied is whether a reasonable juror could have found that Hepburn does not teach such isolation.

Standard Havens Products, Inc. v. Gencor Industries, Inc., 953 F.2d 1360, 1369 (Fed. Cir. 1991). Thus, the court of appeals concluded that a jury could not have found that Hepburn did not anticipate Hawkins *merely because* the Hawkins

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[2] The Federal Circuit remanded for a recalculation of damages.

device pipes air for combustion to the burner in such a manner that it bypasses the mixing zone while in the Hepburn device a fan blows air through the mixing zone on its way to the burner.

The court of appeals went on to conclude:

> From the evidence before it the jury could reasonably have found (*i.e.*, that is "substantial evidence" supporting the fact that because of the air blown by the fan in [Hepburn], some of the liquid asphalt sprayed in the mixing chamber would be blown back into the heating chamber. . . .
>
> [S]ubstantial evidence supports the presumed finding of the jury that liquid asphalt in Hepburn would be carried into the hot gas stream of the heating chamber causing blue smoke. It was quite reasonable, therefore, for the jury to conclude that the process of Hepburn does not "isolate" the mixing chamber from the hot gas stream, as called for by the [Hawkins] claims. Hence, [Hepburn] does not anticipate the claimed invention. . . .
>
> Thus, the district court did not err in denying Gencor's JNOV motion . . . Nor did it abuse its discretion in denying Gencor's new trial motion in that respect.

Standard Havens Products, Inc. v. Gencor Industries, Inc., 953 F.2d 1360, 1369-70 (Fed. Cir. 1991).

Not satisfied with the outcome of its appeal, Gencor petitioned the court of appeals for a rehearing and a rehearing in banc. In its petition, Gencor argued for the first time that it was entitled to a new trial with regard to the validity of the Hawkins patent because

1. at trial, Standard Havens' attorney and witnesses distinguished the Hawkins and Hepburn devices on the basis of the fact that the Hawkins device pipes air for combustion to the burner in such a manner that it bypasses the mixing zone while in the Hepburn device a fan blows air through the mixing zone on its way to the burner;

2. on appeal, the court of appeals ruled that a jury could not have found that Hepburn did not anticipate Hawkins merely on the basis of this distinction;

and

3. the law – as set forth in *Maryland v. Baldwin*, 112 U.S. 490 (1884); *Sunkist Growers Inc., v. Winckler & Smith Citrus Prods. Co.*, 370 U.S. 19 (1962); *Dudley v. Dittmer*, 795 F.2d 669 (8th Cir. 1986); and *E.I. du Pont de Nemours & Co. v. Berkley & Co.*, 620 F.2d 1247 (8th Cir. 1980) – requires a new trial in such circumstances.

The court of appeals rejected Gencor's Petition for Rehearing without writing an opinion. It similarly rejected Gencor's Suggestion for Rehearing in Banc.

GENCOR'S PETITION FOR A WRIT OF CERTIORARI

Now, Gencor, still seeking to postpone enforcement of the affirmed judgment finding it a willful infringer of the Hawkins patent, seeks a writ of certiorari. Gencor contends

1. that the standard that the Court of Appeals for the Federal Circuit employs to review general verdicts (or a special interrogatory

containing multiple issues) conflicts with the standard set by this Court

and

2. that this is an appropriate case for resolving the general issue of whether, when the prevailing party has presented multiple theories to the jury, a general verdict (or a special interrogatory containing multiple issues) should be sustained on appeal when the court of appeals rules that one of the theories was legally erroneous.

Gencor is wrong in both regards.

WHY THE WRIT OF CERTIORARI SHOULD NOT BE GRANTED

I. THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT USED THE PROPER STANDARD IN REVIEWING THE JURY VERDICT AND REFUSING TO ORDER A NEW TRIAL ON THE ISSUE OF THE VALIDITY OF THE HAWKINS PATENT.

This Court has held that when multiple legal theories of liability are presented to a jury, the jury returns a general verdict, and one of the theories of liability is held erroneous, the entire general verdict must be reversed. *Sunkist Growers, Inc. v. Winckler & Smith Citrus Prods. Co.*, 370 U.S. 19, 29-30 (1962).

This Court has never held that, absent erroneous instructions or evidentiary error, a general verdict must be reversed when multiple factual theories are presented to a jury in support of a legal theory of liability (or in

support of an element of a theory of liability) and one of the factual theories is held inadequate to support the theory of liability (or an element of a theory of liability).

The present case involves factual theories, not legal theories of liability. Standard Havens did not advance multiple theories of liability. Rather, Standard Havens presented the jury with multiple facts concerning the differences between the Hepburn and Hawkins devices. The court of appeals did not rule that one of Standard Havens' legal theories of recovery was erroneous. Rather, the court of appeals ruled that certain facts which Standard Havens presented to the jury were inadequate to establish that the Hepburn patent did not anticipate the Hawkins patent, while other facts were adequate for that purpose. *Gencor does not contend that the relevant jury instructions were in error or that the trial court erred in admitting the "substantial" evidence which both the trial court and the court of appeals found sufficient to support the anticipation theory.*

Gencor cites no authority of this Court, or of any other court, holding that a general verdict should be reversed in the circumstances of the present case.[3] What authority exists is to the contrary.

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[3] The cases cited by Gencor involve either (1) error in instruction regarding the law or in admitting evidence or (2) multiple legal theories of recovery (as opposed to multiple factual theories supporting a legal theory of recovery).

Maryland v. Baldwin, 112 U.S. 490 (1884), involved a claim for a share of an estate. The defendants raised various defenses, including the defense that the plaintiff was not an

(Continued on following page)

The jury is presumed to have acted correctly; thus, where there are two alternative factual

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(Continued from previous page)

heir and defenses relating to the condition of the estate. The trial court allowed defendants to present inadmissible hearsay evidence tending to weaken the plaintiff's claim that he was an heir. The jury returned a general verdict for defendants. This court reversed the general verdict and remanded for a new trial because of the potential impact of the erroneously admitted evidence. In the present case, unlike *Baldwin*, Gencor claims no relevant evidentiary errors.

In *Sunkist Growers, Inc. v. Winckler & Smith Citrus Prods. Co.*, 370 U.S. 19 (1962), the plaintiff advanced two legal theories of recovery – monopolization and conspiracy to monopolize. The jury returned a general verdict for the plaintiff. This Court held that the conspiracy theory was improperly submitted because the trial court erroneously instructed the jury that it could find a conspiracy involving an association that, as a matter of law, could not be a party to a conspiracy to monopolize. This Court reversed the general verdict and remanded for a new trial because of the potential impact of the erroneous instructions as to the law. In the present case, unlike *Sunkist*, Gencor does not claim that the district court's instructions regarding anticipation were in error.

Wilmington Star Mining Company v. Fulton, 205 U.S. 60 (1907), involved negligence claims arising from a mining accident. The plaintiff specified eight counts of negligence based on eight specific negligent acts. The plaintiff failed to adduce sufficient evidence to create a jury issue with regard to three of the counts. The trial court refused to strike the three unsupported counts or to instruct the jury that the plaintiff could not recover under them. The jury returned a general verdict for the plaintiff. This Court reversed and required a new trial with regard to the counts of negligence as to which there was support in the record. In the present case, unlike *Wilmington*, Gencor does not claim that the court of appeals found any

(Continued on following page)

> theories which might support the verdict, the verdict will be upheld if there is sufficient evidence to support either theory.

Baumler v. State Farm Mutual Automobile Insurance Co., 493 F.2d 130, 134 (9th Cir. 1974); *McCord v. Maguire*, 873 F.2d 1271, 1273-74 (9th Cir. 1989).

> [T]he submission of both correct and incorrect factual bases supporting a single theory of

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(Continued from previous page)

theory that the district court submitted to the jury was without support in the record.

The trial court submitted two theories of liability to the jury in *United New York and New Jersey Sandy Hook Pilots Association v. Halecki*, 358 U.S. 613 (1959): negligence and unseaworthiness under the federal maritime law. The jury returned a general verdict for the plaintiff, who was the administrator of the estate of a workman killed while servicing a ship. This Court ruled that the theory of unseaworthiness did not apply because the decedent's work was not of the type traditionally performed on a ship at sea. This Court then reversed the general verdict and remanded for a new trial on the negligence theory. In the present case, unlike *Halecki*, Gencor does not claim that the district court instructed the jury on two theories of recovery, one of which was inapplicable as a matter of law.

See also Dudley v. Dittmer, 795 F.2d 669 (8th Cir. 1986) (general verdict reversed because one of two theories of liability submitted to the jury not supported by substantial evidence); *E.I. du Pont de Nemours & Co. v. Berkley & Co., Inc.*, 620 F.2d 1247 (8th Cir. 1980) (verdict reversed because answer to interrogatory indicated the jury might have found patent invalid solely on ground that invention lacked utility where treatment of utility was fatally flawed and utility issue presented no jury issue and should have been decided in plaintiff's favor as a matter of law).

> recovery is not grounds for reversal of a judgment on a general verdict. The cases cited by the defendants to the contrary involve the submission of both incorrect and correct legal theories of recovery.

Sandberg v. Virginia Bankshares, Inc., 891 F.2d 1112, 1122 (4th Cir. 1989), *rev'd. on other grounds*, ___ U.S. ___, 111 S.Ct. 2749 (1991).

The Court of Appeals for the Federal Circuit did not err or depart from the standards announced by this court when it reviewed the jury verdict or declined to grant Gencor a new trial on the issue of the validity of the Hawkins patent. There was no error on the part of the Court of Appeals for the Federal Circuit justifying issuance of a writ of certiorari.

II. THIS IS NOT AN APPROPRIATE CASE FOR RESOLVING GENERAL ISSUES REGARDING WHEN, IF EVER, A GENERAL VERDICT SHOULD BE SUSTAINED ON APPEAL WHEN THE COURT OF APPEALS RULES THAT ONE OF THE THEORIES UNDERLYING THE VERDICT IS LEGALLY ERRONEOUS.

This is not an appropriate case for review. This case does not afford the court a focused opportunity to clarify when, if ever, a general verdict should be sustained after a court of appeals has ruled that one of the several theories presented to the jury is legally erroneous.

The decision of the Court of Appeals for the Federal Circuit is not in conflict with any applicable decision of this Court or with any applicable decision of any other

United States court of appeals. The decision of the Federal Circuit is in accord with decisions of the Ninth and Fourth Circuits. *See Baumler v. State Farm Mutual Automobile Insurance Co.*, 493 F.2d 130, 134 (9th Cir. 1974); *McCord v. Maguire*, 873 F.2d 1271, 1273-74 (9th Cir. 1989); *Sandberg v. Virginia Bankshares, Inc.*, 891 F.2d 1112, 1122 (4th Cir. 1989), rev. on other grounds, ___ U.S. ___, 111 S.Ct. 2749 (1991).

If there is a split of authority in the circuits as to whether, when multiple *legal* theories of liability are presented to a jury, the jury returns a general verdict, and one of the legal theories of liability is held erroneous as a matter of law, the entire general verdict must be reversed, the present case is not on either side of that split. This case involves alternative *factual theories* and arguments relating to an element of a legal theory, not alternative legal theories of liability.

The Court of Appeals for the Federal Circuit rejected Gencor's Motion for Reconsideration – the motion in which Gencor *first* made its argument that the court of appeals should reject the entire general verdict – without opinion. The absence of an opinion by the court of appeals also militates against selecting this case as a vehicle for clarifying the law since the record is not fully developed.[4]

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[4] Moreover, that the Federal Circuit apparently did not deem Gencor's arguments significant enough to justify a written response is further evidence that Gencor is creating a "federal case" where none exists.

Finally, because the decision of the Court of Appeals for the Federal Circuit is correct, using this case to clarify the law would allow Gencor to continue its calculated strategy of delay in order to escape liability for its willful infringement and work a significant injustice on Standard Havens.

CONCLUSION

For the foregoing reasons, this Court should deny the petition for a writ of certiorari.

Respectfully submitted,

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APPENDIX

* * *

validity or invalidity of a United States patent does not depend upon what the alleged inventor in fact knew or did not know of the prior art. It depends upon what art was available to those engaged in the field at the time of the invention. An application for a patent is treated by the law – excuse me, an applicant for a patent is treated by the law as if he knew everything in the prior art in the field in which he was working and also knew of all the vices in that field which had been in prior public use. This does not mean that he really knew all these things, but for the purposes of the patent laws he is assumed to have and charged with having such knowledge. In the event any single prior art patent or printed publication discloses all of the identical method steps performed in a same manner as the method of any of the claims 1 through 4, then such claim is said to be anticipated by the prior art and is invalid for want of – or lack of novelty. You may find that any or all of the claims 1, 2, 3, or 4 of the Hawkins patent are anticipated by the prior art even if you find that other claims are not anticipated. If you find that a claim is anticipative, it is invalid and you need not consider the non-obvious test to be set forth in later instructions. Now, if any of the claims of the Hawkins patent can be read on the methods disclosed in the Hepburn patents, these claims are anticipated and invalid. In this case if the evidence is clear and convincing that the method or process described in the claims of the Hawkins patent is the same as the method or process described or taught by either of the Hepburn patents, the Hawkins

patent is invalid and is not infringed on by Gencor Industries. Now, as to the test for non-obviousness. Even if you find that all of the method steps set forth in claims 1 through 4 of the Hawkins patent are not found in a single piece of prior art relied upon by the defendant Gencor, if you find that any differences between one or more prior art references and the claimed invention only require that one of ordinary skill in the art exercise that skill to complete the subject matter of such claim, those claims are still invalid because they are obvious in the view of the prior art. In determining obviousness or non-obviousness of the claimed subject Letter of the patent in suit, the following steps should be taken by you. One, you should determine the scope and content of the prior art relied upon by the defendant against the patent in suit. Two, you should then identify the differences, if any, between each claim of the patent in suit and the prior art. And, three, determine the level of ordinary skill in the pertinent art at the time the invention or the patent in suit was made. Against this background you will then make your decision that the claimed subject matter would have been either obvious or unobvious to a person with ordinary skill in the pertinent art. To determine the scope and content of the prior arts you should take into account the

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Petitioner,

v.

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Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY TO BRIEF IN OPPOSITION

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PETITIONER'S REPLY TO BRIEF IN OPPOSITION

In its opposition brief, Standard Havens admits that it urged two theories to the jury, and does not challenge this Court's rule that a general verdict must be vacated if multiple theories (at least one of which was legally erroneous) were presented to the jury. Instead, Standard Havens attempts to circumvent the rule and to excuse the Federal Circuit's failure to follow the rule by mischaracterizing its two theories as "factual" theories. Standard Havens' first theory, however, was predicated upon an erroneous interpretation of the claims of its patent — an acknowledged question of law.[1] A theory so flawed can only be viewed as a legal theory, and falls squarely within the rule of *Maryland v. Baldwin*, 112 U.S. 490 (1884). Thus, after the Federal Circuit

[1] *See Coupe v. Royer*, 155 U.S. 565, 579 (1895) ("the court defines the patented invention as indicated by the language of the claims") (*quoting* 3 Robinson, *The Law of Patents for Useful Inventions* § 1075 (1890)); *Winans v. Denmead*, 56 U.S. 330, 337 (1853) (the scope of the patent "is a question of law, to be determined by the court"); *Key Mfg. Group, Inc. v. Microdot, Inc.*, 925 F.2d 1444, 1448 (Fed. Cir. 1991) ("claim interpretation is a question of law"); *Intervet American, Inc. v. Kee-Vet Lab.*, Inc., 887 F.2d 1050, 1053 (Fed. Cir. 1989) ("interpreting the scope of claims is a question of law").

rejected Standard Havens' claim interpretation, it was bound by this Court's precedent to vacate the judgment and remand.

Gencor challenged the validity of Standard Havens' patent (the Hawkins patent) on the ground that it covered subject matter described years earlier in the Hepburn patent. When the validity of a patent is challenged on the ground that the scope of the patent covers old or obvious subject matter, the first step in the analysis is to interpret the claims. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1567-68 (Fed. Cir.), *cert. denied*, 481 U.S. 1051 (1987). The claims then are compared to the old or obvious subject matter. *Id.* at 1570. If the claims cover old or obvious subject matter, the patent is invalid. *Id.* at 1566. If an error is made in the interpretation of the claims, however, the entire analysis is faulty. *Id.* at 1576.

Standard Havens has admitted that it defended the validity of the Hawkins patent by urging two theories to distinguish its patented invention from the Hepburn patent, the first of which Standard Havens describes as follows:

> 1. that the Hawkins device differed from the Hepburn device because the Hawkins device pipes air for combustion to the burner in such a manner that it bypasses the mixing zone while in the Hepburn device a fan blows air through the mixing zone on its way to the burner

(SH Br. 2). This theory required a claim interpretation that limited the Hawkins patent to a device that "pipes air for combustion to the burner in such a manner that it bypasses the mixing zone." Otherwise, the differences urged by Standard Havens were not probative.

Gencor did not dispute the fact that the Hepburn patent did not disclose such pipes and instead disclosed a fan that blows air through the mixing zone. Nor did Gencor dispute the fact that the Hawkins patent discloses an *example* of the invention

in which air for combustion is piped to the burner. Gencor, however, did dispute whether the *claims* of the Hawkins patent were so limited.[2] Thus, Gencor did not dispute Standard Havens' factual theory — it disputed Standard Havens' legal theory.

The district court judge accepted Standard Havens' first theory because it accepted Standard Havens' claim interpretation, stating in his denial of the JNOV motion:

> [U]nlike the Hawkins process, the airstream supplying the burner [in the Hepburn patent] flows unrestricted through the missing [sic, mixing] zone.

(A52). Presumably, Standard Havens persuaded the jury on the same grounds.

By Standard Havens' own admission, however, the Federal Circuit rejected Standard Havens' first theory:

> [T]he court of appeals concluded that a jury could not have found that Hepburn did not anticipate Hawkins merely because the Hawkins device pipes air for combustion to the burner in such a manner that it bypasses the mixing zone while in the Hepburn device a fan blows air through the mixing zone on its way to the burner.

(SH Br. 4-5). The reason that the Federal Circuit rejected this theory is that the Federal Circuit found that Standard Havens' claim interpretation was erroneous, stating:

> But, says Gencor, there is no limitation stated in the '938 patent claims of "isolating air flow from the mixing zone." We agree with Gencor on that. Though a key aspect of Hawkins' invention may be

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[2] "It is the claims that define the claimed invention.... [P]articular embodiments and examples appearing in the specification will not generally be read into the claims." *Constant v. Advanced Micro-Devices, Inc.*, 848 F.2d 1560, 1571 (Fed. Cir.), *cert. denied*, 488 U.S. 892 (1988).

> to direct the airflow through the secondary and primary tubes instead of through the mixing zone, the '938 patent does not contain that limitation.

(A13).

Thus, the Federal Circuit rejected Standard Havens' theory not because it was premised on erroneous or unsupported facts (a deficient factual theory), but because it was premised on an improper interpretation of the claims of the Hawkins patent (an erroneous legal theory). Moreover, once Standard Havens made this fundamental error, Standard Havens' entire analysis under its first theory became legally flawed.

The reason for distinguishing multiple factual theories and multiple legal theories presented to a jury is that a jury is better equipped to handle multiple factual theories. If there is no evidence to support a factual theory, presumably the jury will ignore it. A jury is unlikely, however, to ignore a theory flawed in law — such as an erroneous claim interpretation. A jury is not equipped to recognize such a flaw. In this case, the jury was not asked to determine whether the facts supported Standard Havens' first theory — those facts were undisputed. The jury was asked to apply the undisputed facts to Standard Havens' legal theory of the claims — a task that it could not fairly perform given Standard Havens' erroneous claim interpretation.

In short, the first theory urged by Standard Havens was clearly a legal theory. As a result, the Federal Circuit's disposition of the appeal should have been controlled by the cases cited in Gencor's Petition, and the Federal Circuit should have vacated the judgment and remanded for a new trial.

In view of the complexity of patent cases, the increasing number of patent cases tried before juries, and the frequency with which district courts decline to use special interrogatories in favor of general verdicts, the Federal Circuit's failure to follow this Court's precedent is a matter of enormous impact to

the patent bar, to the district courts, and to industry and commerce generally. Accordingly, Gencor respectfully requests that the Court grant its petition for writ of certiorari.[3]

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[3] Standard Havens also suggests that Gencor's Petition should be denied because the record is not fully developed. Gencor submits that the record is amply developed because the Federal Circuit plainly rejected one of the legal theories urged by Standard Havens. If this Court concludes that it lacks an adequate explanation for the basis of the Federal Circuit's judgment, however, Gencor requests that the Court remand the case for further consideration as it did in *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986).